JPRS 82838

10 February 1983

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2368

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WEST GERMAN ANALYSIS OF CONTINUING EAST-WEST TRADE SLUMP

West Berlin DIW-WOCHENBERICHT in German Vol 49 No 46, 18 Nov 82 pp 563-572

[Article by Heinrich Machowski, German Institute for Economic Research (DIW), West Berlin: "East-West Trade Still in Difficulties"]

[Text] In 1981, exports by the seven European members of the Council for Mutual Economic Assistance (CEMA)[1] to the (24) OECD states--according to CEMA country statistics--reached a total of 32.4 billion transfer rubles,[2] which translates into $45 billion. Imports by CEMA states from OECD countries, however, amounted to 34.5 billion transfer rubles ($48 billion). Following 2 years of sharp increases in East-West trade--due primarily to price changes--1981 imports and exports for CEMA countries rose only by 2.5 and close to 4 percent respectively. When price increases are disregarded--in part they were estimated[3]--the East-West trade volume stagnated last year. In real terms, trade with the West for the smaller CEMA (6) states even declined considerably; the USSR trade with the West, on the other hand, actually continued to rise.

When the quarter-year figures of the OECD foreign-trade statistics are consulted for the analysis of CEMA (6) states trade with the West, it becomes apparent that the most recent change in this trade began as early as the fourth quarter of 1980. Export and import reached a climax at that time and since then both of them have declined in absolute terms.

In contrast to the statistics of the CEMA countries, the OECD statistics supply complete data on the quarterly development of East-West trade and on the structure of goods. One thing has to be considered, however, which is the fact that for systematic reasons both statistics differ from one another.[4] The discrepancies are particularly significant with respect to trade balances. For the entire period between 1971 and 1981--according to CEMA statistics--the cumulative negative trade balance for CEMA economies resulting from their trade with OECD countries amounted to $64.5 billion; according to OECD statistics (including inner-German trade), however, it was $32 billion.

An investigation of this problem revealed that the results of the CEMA statistics are better suited for the analysis of the balance of payments.[5]

Table 1. Development of West Trade by CEMA Countries

Entwicklung des Westhandels[1)] der RGW-Länder

(1) RGW-Länder	(2) Ausfuhr[2)]						(3) Einfuhr[2)]					
	1970	1975	1978	1979	1980	1981	1970	1975	1978	1979	1980	1981
	(4) Mrd.TRbl[3)]											
Bulgarien 5	0,26	0,35	0,53	0,93	1,15	1,13	0,32	0,96	0,79	0,88	1,10	1,50
CSSR (6)	0,70	1,17	1,47	1,79	2,21	2,18	0,82	1,57	1,99	2,30	2,53	2,40
DDR[4)] (7)	0,90	1,69	1,95	2,34	2,96	3,94	1,17	2,45	2,78	3,74	4,13	4,15
Polen (8)	0,91	2,42	3,15	3,53	4,04	2,96	0,84	4,63	4,60	4,56	4,51	3,30
Rumanien (9)	0,54	1,39	1,66	2,49	3,03	2,70	0,70	1,68	2,38	2,64	2,78	2,32
Ungarn (10)	0,59	0,95	1,33	1,72	1,99	1,89	0,67	1,41	2,16	2,18	2,43	2,64
(11) RGW(6)	3,90	7,97	10,29	12,80	15,39	14,80	4,52	12,70	14,69	16,28	17,48	16,34
UdSSR (12)	2,21	6,17	8,79	12,80	16,19	17,57	2,57	9,75	11,24	13,34	15,83	18,24
(13) RGW(7)	6,11	14,14	19,08	25,60	31,58	32,37	7,09	22,45	25,93	29,62	33,31	34,58
	(14) Veranderung gegenuber dem Vorjahr in vH											
Bulgarien	+ 10,1	+ 3,8	+ 8,9	+ 76,6	+ 23,7	- 1,7	+ 38,0	+ 40,7	+ 6,7	+ 10,5	+ 25,0	+ 36,4
CSSR	+ 9,4	- 6,0	+ 8,2	+ 20,9	+ 23,5	- 1,5	+ 26,0	+ 2,0	+ 6,8	+ 15,4	+ 10,0	- 5,2
DDR	+ 7,8	- 5,1	+ 5,9	+ 19,8	+ 27,0	+ 32,7	+ 32,1	- 0,4	- 1,8	+ 34,7	+ 11,0	+ 1,1
Polen	+ 14,2	+ 9,0	+ 11,8	+ 12,2	+ 14,5	- 26,4	+ 4,2	+ 17,2	- 1,0	- 1,0	- 1,0	- 27,0
Rumanien	+ 20,2	- 6,8	+ 14,7	+ 33,7	+ 21,7	- 10,9	+ 5,1	- 13,1	+ 23,3	+ 10,9	+ 5,3	- 16,6
Ungarn	+ 22,5	- 3,8	+ 4,6	+ 30,0	+ 15,7	- 4,8	+ 42,2	+ 3,5	+ 19,9	+ 1,0	+ 11,5	+ 8,7
RGW(6)	+ 20,8	- 0,5	+ 9,4	+ 24,4	+ 20,2	- 3,8	+ 19,0	+ 7,5	+ 6,4	+ 10,8	+ 7,4	- 6,5
UdSSR	+ 4,7	- 2,4	+ 0,9	+ 45,6	+ 26,5	+ 8,5	+ 11,5	+ 57,4	+ 5,7	+ 18,7	+ 18,5	+ 15,2
RGW(7)	+ 14,3	- 1,6	+ 4,4	+ 34,2	+ 23,4	+ 2,5	+ 16,2	+ 24,7	+ 5,1	+ 14,3	+ 12,4	+ 3,8
	(15) Westhandelsanteil (Gesamtausfuhr bzw. -einfuhr = 100)											
Bulgarien	14,2	10,1	10,3	15,8	16,3	14,9	19,1	23,8	15,2	15,5	17,2	19,3
CSSR	20,4	20,0	18,5	20,4	22,0	19,8	24,9	24,8	23,4	24,3	24,8	22,2
DDR	22,1	22,6	19,7	20,8	24,2	29,1	26,7	29,0	25,6	31,0	30,7	29,1
Polen	28,4	31,5	31,3	31,2	34,6	29,5	25,9	49,5	40,2	37,3	34,4	28,2
Rumanien	32,3	35,0	33,7	38,1	37,5	30,0	40,4	42,2	39,1	36,1	31,4	28,3
Ungarn	28,4	22,3	22,5	24,2	25,0	21,2	29,6	28,4	30,1	28,3	29,3	29,2
RGW(5)	24,0	24,3	23,1	25,2	27,1	26,0	27,2	34,2	29,8	29,9	29,0	26,5
UdSSR	19,1	25,7	24,6	30,2	32,6	30,8	24,3	36,6	32,3	35,2	35,6	34,7
RGW(7)	22,0	24,3	23,8	27,5	29,7	27,5	26,1	35,2	30,8	32,1	31,3	30,2

Angaben fur 1981 vorläufig. (16)

(17) 1) OECD-Lander. - (18) 2) Wertstellung: fob, (19) Ungarn Einfuhr: cif. Generalhandel. Einkaufs- und Verkauferland; UdSSR und Ungarn ab 1975: Herkunfts- und Bestimmungsland. - 3) Der Transfer-Rubel ist die Außenwährungseinheit der RGW-Lander; sein rechnerischer Wert betrug 1970: 1,11 US-$, 1975: 1,39 US-$, 1978: 1,47 US-$, 1979 und 1980: 1,53 US-$ und 1981: 1,39 US-$. - (20) 4) Sogenannte kapitalistische Industrielander (Gruppenausweis).

Quellen: Außenhandelsstatistiken der RGW-Lander; Berechnungen des DIW. (21)

Key to Table 1:

(1) CEMA countries
(2) Exports
(3) Imports
(4) Billion transfer rubles
(5) Bulgaria
(6) CSSR
(7) GDR
(8) Poland
(9) Romania
(10) Hungary
(11) CEMA (6)
(12) USSR
(13) CEMA (7)
(14) Changes from preceding year in percentages
(15) Share in West trade (total exports or imports = 100)
(16) Data for 1981 are based on preliminary figures
(17) OECD countries
(18) Values listed: fob; Hungary imports: cif. General trade. Buyer and seller country; USSR and Hungary (beginning with 1975): country of origin and destination.
(19) The transfer ruble is the foreign currency unit for CEMA countries. In 1970 its computed value was: $1.11; in 1975: $1.39; in 1987: $1.47; in 1979 and 1980: $1.53; and in 1981: $1.39.
(20) So-called capitalist industrial countries (classified as a group).
(21) Sources: Foreign trade statistics of CEMA countries; DIW computations.

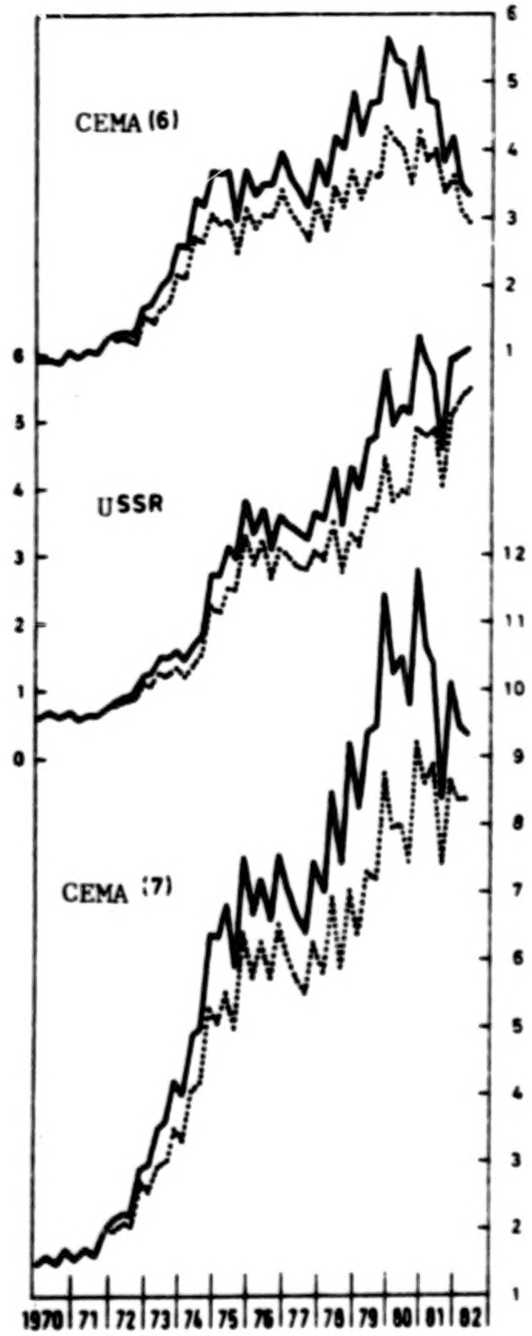
Smaller CEMA Countries Losing Ground

At the beginning of the 1970's, the CEMA (6) economies and the USSR more or less shared in imports and exports. Their relationship as a proportion of all East-West trade was 65 to 35. Since then the share of the USSR as a proportion of CEMA exports to the West has risen to a current 55 percent. This shift is largely due to Soviet energy exports. With respect to CEMA imports from the West the initial proportion did not change until the mid-1970's. Since then the smaller East European countries have restricted the growth of imports from the West because of trade deficits, and their share has fallen to a current 47 percent. This trend is expected to continue.

The EC has taken on an extraordinary importance as a market for CEMA countries. At the beginning of the last decade approximately half of all CEMA exports were destined for the EC. Since the first EC expansion in 1973, this proportion has risen to 60 percent. The share of the United States was between 3 and 5 percent. Japan's quota of CEMA exports fell from 7 percent (1970) to 4 percent (1981).

Diagram 1. Exports by OECD Countries to CEMA Countries1)

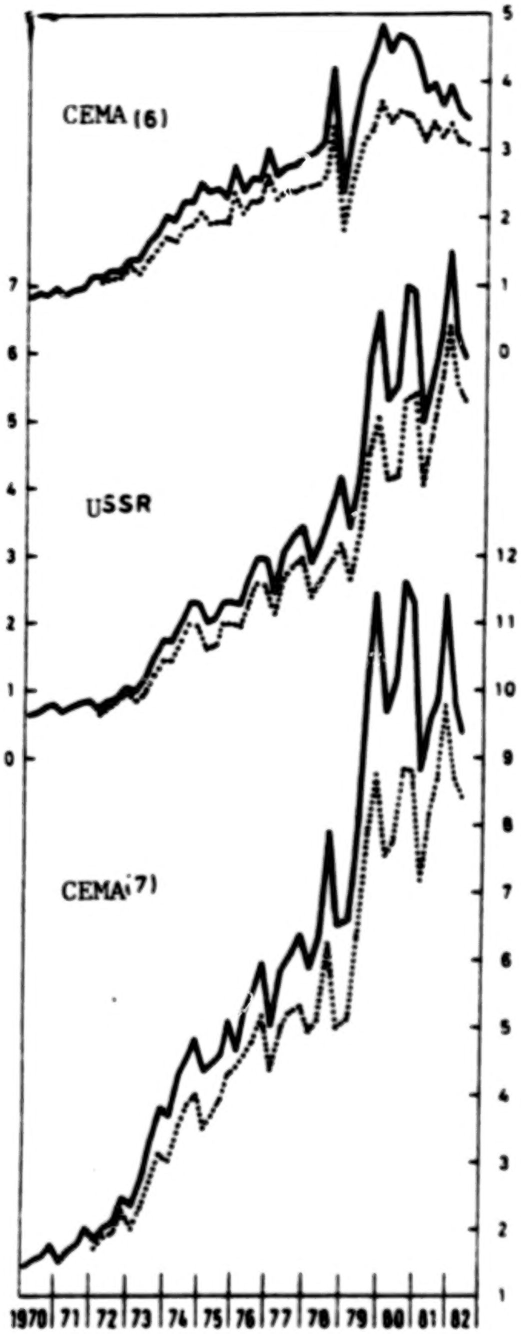
——— In billion dollars2) ····· In billion SZR3)



1) Without inner-German trade
2) Quarter-year figures at prevailing prices; fob
3) Special drawing privileges; until 1971 the value was equal to the U.S. dollar
4) Source: OECD and Institute for Economic Research

Diagram 2. Imports by OECD Countries to CEMA Countries1)

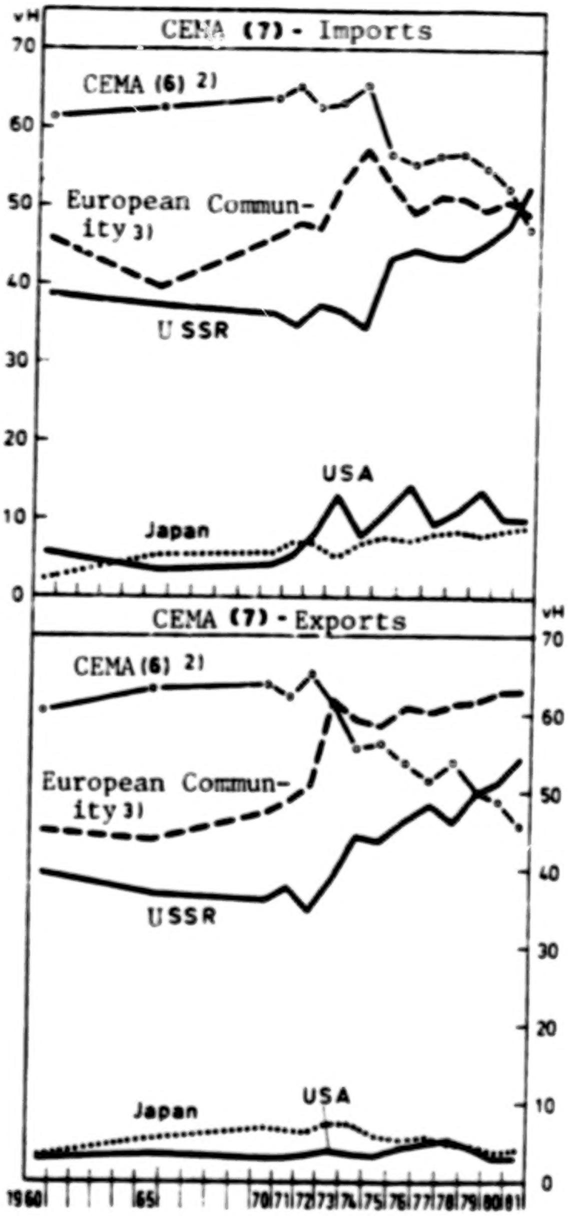
—— In billion dollars2) ····· In Billion SZR2)



1) Without inner-German trade
2) Quarter-year figures at prevailing prices; cif
3) Special drawing privileges; until 1971 the value was equal to the U.S. dollar
4) Source: OECD and Institute for Economic Research

Diagram 3. Regional Structure of East-West Trade Between 1960 and 1981

Share in percentages[1)]



The data for 1981 are based on preliminary figures.

1) Computations are based on transfer rubles at prevailing prices and exchange rates.

2) Bulgaria, CSSR, GDR (including inner-German trade), Poland, Romania and Hungary.

3) Respective territorial standings.

Sources: Statistical yearbooks of CEMA countries.

With respect to CEMA imports from the West, EC countries also represent the biggest share, but it is approximately 10 percent below the export figures. In this connection, Japan's role increased from 5 percent (1970) to 9 percent (1981) thanks to shipments of energy equipment. The position of the United States as a supplier country, on the other hand, fluctuated between 4 percent (1970) and 14 percent (1979) depending on the amount of grain shipments.

On the basis of grain shipments alone, the USSR accumulated between 1971 and 1981 an import surplus in its trade balance with the United States, amounting to $17 billion. During the same period, the USSR export surplus toward the EC came to $13 billion.

Among the seven participants of the Western economic summit (FRG, France, United Kingdom, Italy, Japan, Canada, United States), the FRG remains the country with the most extensive involvement in East-West trade (the 1981 share of the CEMA market in exports was 5.7 percent, in imports it was 6.2 percent[6]).

Differences in the Structure of Goods Represented in CEMA Exports

The increase in Soviet exports to the West was exclusively due to the increase in energy raw materials (+16.5 percent). In 1981 more than three-fourths of the export income from Western markets (1980: 71.5 percent) was in this category of goods. Petroleum still represented the lion's share in energy exports: In 1981 the USSR sold 52 million tons on the OECD market (8.5 percent less than the preceding year). Since--according to estimates--the average price rose by 20 percent, the USSR was able to take in approximately 13.5 billion transfer rubles for these exports. Revenues from natural gas sales reached 2.9 billion transfer rubles ($4 billion), in other words, they rose considerably faster (by 59 percent; quantity: +5.5 percent; price: 50.5 percent); as a proportion of all USSR exports they rose by 6 points to almost 22 percent (petroleum amounted to 76 percent in 1981 and 81 percent in 1980).

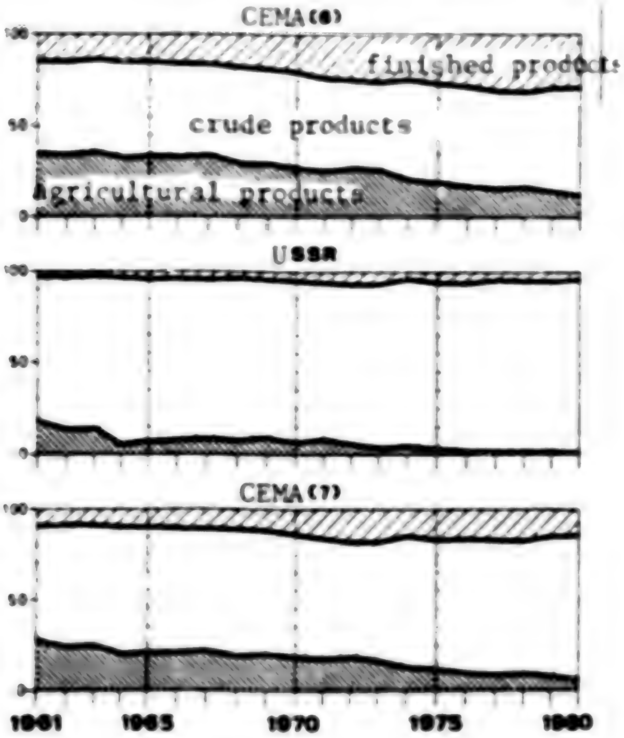
Soviet exports of machinery, equipment and motor vehicles (according to the CEMA classification of goods), however, came to only 0.9 billion transfer rubles (-5 percent); which means that they made up only 5 percent of the total of USSR exports to the West (1980: 6 percent). It underlines the continuing export weakness of the Soviet industry.

When looking at the long-term changes in the composition of Soviet exports to the West--OECD statistics have to be consulted again--it becomes apparent that in the meantime crude products account for 95 percent of the exports to the West (1970: 88 percent). The group of finished products remained unchanged in 1981, reaching 4 percent. Agricultural products made up the insignificant rest (1970: 7 percent).

The structure of CEMA (6) exports, on the other hand, is different. The category of crude products--showing a slightly rising trend--accounted for more than half of all shipments (1980: 59.5 percent; 1970: 52 percent). Agricultural goods lost ground; their share declined by 15 points, ending up at 12 percent.

Diagram 4. Structure of Goods of Imports by OECD Countries From CEMA Countries Between 1961 and 1980 1)

Share of groups of goods in percentages 2)



1) Without inner-German trade
2) SITC II: Agrarian products (parts 0, 1, 4); crude products (parts 2, 3, 5, 6); finished products (parts 7, 8, 9).
Source: Foreign trade data bank of the German Institute for Economic Research

This drop was caused by the declining efficiency of the national economies in East Europe as well as the joint agrarian policy of the EEC, which is aiming at autarky. During the course of the last decade, the proportion of finished goods rose significantly (1980: 28.5 percent; 1970: 20.5 percent). Nevertheless, since this group is dominated by goods produced in consumer-oriented industries, high tariffs as well as other protectionist measures introduced by Western industrial states (the extent of which, however, cannot be quantified very well) produce a negative impact.

CEMA Imports: Crude Products and Capital Goods Dominate

In 1981--according to estimates--the USSR purchased 22 million tons of grain on the OECD market (1980: approximately 19 million tons).[7] The import invoice increased by more than 27 percent, reaching 2.7 billion transfer rubles ($3.8 billion).[8] Forty-three percent of the imported amount came from the United States (1980: 38 percent). Of course, due to the partial embargo imposed by President Carter of 4 January 1980--which was lifted by President Reagan on 28 April 1981--the United States lost its leading position as a grain supplier to the USSR to Argentina (1981: approximately 15 million tons).

The grain which is purchased on the so-called capitalist market corresponds to 20 percent (1980: 16.5 percent) of the domestic yield, which means that the USSR depends to a considerable extent on the world grain market. It is a result of the low productivity of its own agriculture--annual harvests varied between 136 million tons (1975) and 238 million tons (1978); in 1981 it was about 170 million tons[9]--as well as the standard-of-living policy of the Soviet leadership, which wants to maintain the level of animal production and per-capita consumption of meat in spite of shortages of suitable animal feed. This goal is of such importance to the Soviet economic policy that grain imports from nonsocialist foreign countries will remain indispensable for the foreseeable future.[10]

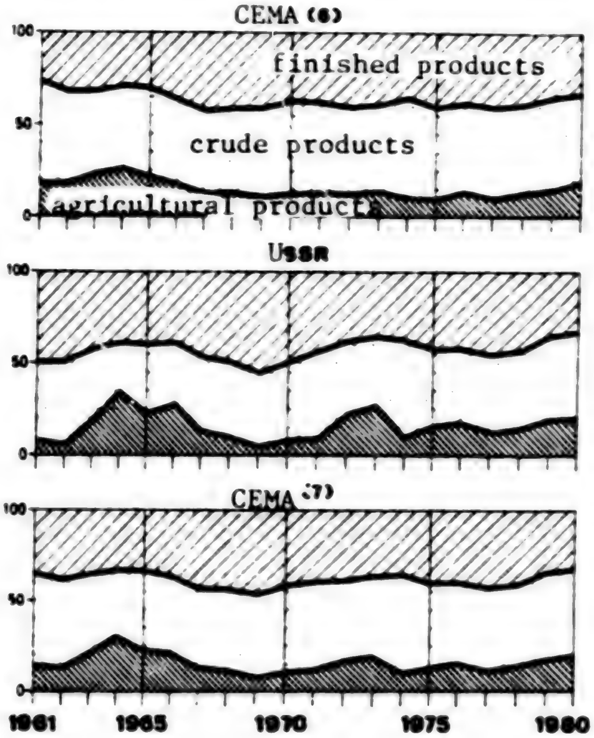
CEMA (7) country imports of agricultural products from OECD countries represented between 10 percent (1974) and 20 percent (1980) of all imports from the West. During this period, the most important group of imported goods, however, consisted of industrial crude products--their share was almost 50 percent--followed by finished goods--this position lost 10 points and sank to 33 percent. Apparently East European economies were making an attempt to maintain the proportion of crude-product imports at a constant level at the expense of capital goods. In other words: Imports from the West were more important for the continuous supply of raw materials and semifinished goods to industry than as a source of technology. Such an import strategy also corresponds to the expected behavior of centrally planned economies: What is in the foreground, is the continual fulfillment of plans rather than future growth. An additional hypothesis for the explanation of the change in the import structure is the fact that during the second half of the 1970's the pace slowed down noticeably of fixed capital formations in East Europe. The investment quota dropped for all economies--Romania is the only exception. This trend is expected to be characteristic of the investment policy of CEMA countries until 1985.[11]

Restraint of International Banking System

The 1981 trade balance of the CEMA states toward the industrialized West closed with a deficit of more than $3 billion, which was $500 million more than the previous year. The CEMA (6) states were able to reduce their deficit by more than 1 billion to approximately $2 billion. For the USSR the year brought a deterioration; it went from $+0.5 billion (1980) to $-1 billion (1981).

Diagram 5. Structure of Goods of Exports by OECD Countries to CEMA Countries Between 1961 and 1980[1)]

Share of groups of goods in percentages[2)]



1) Without inner-German trade
2) SITC II: Agricultural products (parts 0, 1, 4); crude products (parts 2, 3, 5, 6); finished products (parts 7, 8, 9).
Source: Foreign trade data bank of the German Institute for Economic Research

Between 1971 and 1981 the East European countries had to accept a cumulative negative balance in their trade with OECD countries amounting to \$64.5 (CEMA (6): \$46 billion; USSR: 18.5 billion). To finance this import surplus, these economies had to borrow heavily in the West. Of course, only Western estimates are available on the actual size of credits to the East.

According to figures available from Western banks, on 31 December 1981 CEMA debts in convertible currencies reached approximately \$75.5 billion (it is the total of all liabilities less CEMA claims on Western commercial banks, which report to the Bank for International Balance of Payments, BIZ). As a result, the total net debt exceeds last year's amount by about \$5 billion (1980: +11 billion).

Table 2. Data on the Trade Balance of CEMA Countries Toward OECD Countries

CEMA Countries	1970	1971 till 1975[1]	1980	1976 till 1980[1]	1981	1976 till 1981[1]
			Balance in billion dollars[2]			
Bulgaria	-0.1	-1.4	+0.1	-1.0	-0.5	-1.5
CSSR	-0.1	-1.4	-0.5	-3.4	-0.3	-3.7
GDR[3]	-0.3	-3.6	-1.8	-7.9	-0.3	-8.2
Poland	+0.1	-7.0	-0.7	-10.2	-0.5	-10.7
Romania	-0.2	-1.3	+0.3	-1.1	+0.5	-0.6
Hungary	-0.1	-1.7	-0.7	-3.8	-1.0	-4.8
CEMA (6)	-0.7	-16.4	-3.2	-27.4	-2.1	-29.5
USSR	-0.4	-7.1	+0.5	-10.7	-0.9	-11.6
CEMA (7)	-1.1	-23.5	-2.7	-38.0	-3.1	-41.1
			Exports as percentage of imports			
Bulgaria	81.3	58.3	104.1	84.1	75.3	82.0
CSSR	85.3	81.5	87.3	77.3	90.8	80.5
GDR	77.4	71.0	71.8	67.4	94.3	72.7
Poland	108.4	61.5	89.4	69.8	89.7	71.5
Romania	76.9	84.3	108.2	93.6	116.4	97.2
Hungary	88.9	72.8	72.7	74.1	71.6	74.0
CEMA (6)	86.5	70.7	87.7	75.3	90.6	77.9
USSR	85.9	79.8	102.2	88.2	96.3	90.0
CEMA (7)	86.3	74.2	94.7	81.1	93.6	83.5

Deviations in totals due to rounding off of numbers. Data for 1981 are preliminary figures.

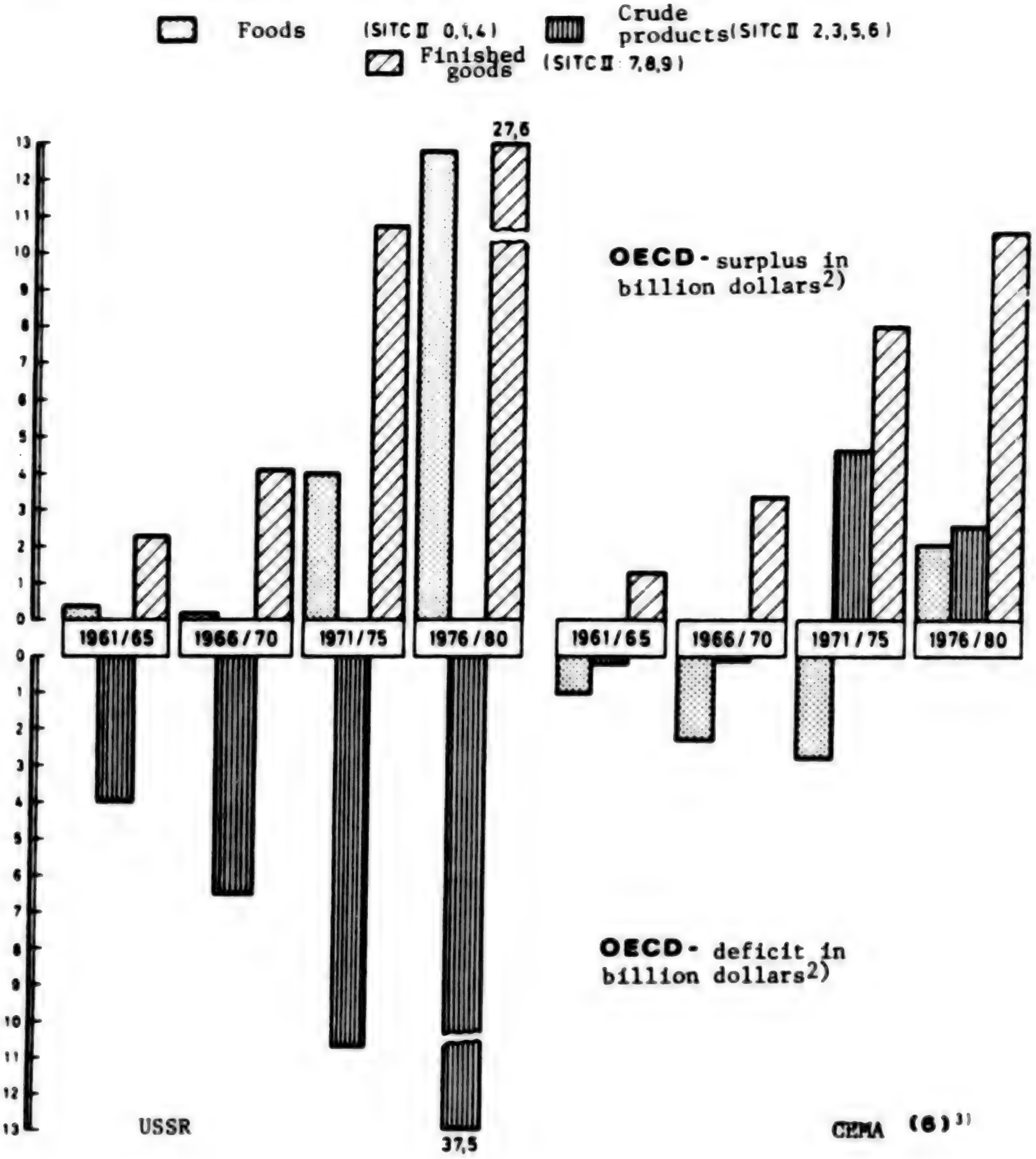
1. Cumulative values

2. At prevailing prices and foreign exchange rates; export surplus: +, import surplus: -.

3. Toward so-called capitalist industrial countries (group figure). Sources: Statistical yearbooks and foreign trade annuals of CEMA countries.

When international interest rates are applied--they were estimated by the Economic Commission for Europe (ECE) and based on the average of European currencies--the 1981 burden of interest rates for the CEMA (6) economies jumped by more than $2 billion to $8.2 billion. The amount required to service interests rose from 27 to 40 percent of export revenues from OECD countries. For the individual countries the amount lies somewhere between 15 percent (CSSR) and 83 percent (Poland). Three-fourths of the rapid increase in interest charges can be traced to higher interest rates (a lowering of interest rates by 1 percent would reduce East European debts by $750 million). For the USSR this calculation results in an amount for interest charges of $1.5 billion (+500 million), which was 6 percent of the exports to the West--from the viewpoint of economic criteria the Soviet economy should continue to be a credit address of the highest reliability.

Diagram 6. Trade Balances[1] in East-West Trade According to Groups of Goods Between 1961 and 1980



1) Cumulative values
2) At prevailing prices and foreign exchange rates.
3) Bulgaria, CSSR, GDR (without inner-German trade), Poland, Romania and Hungary

Source: Foreign trade data bank of the German Institute for Economic Research

Table 3. Data on the Indebtedness of CEMA States in Convertible Currencies

States	1977	1978	1979	1980	1981
	Net debts[1] in billion dollars.[2] End of year figures				
Bulgaria	2.9	3.5	3.5	3.2	2.0
CSSR	2.5	2.9	2.9	3.2	3.2
GDR[3]	6.6	7.8	8.6	9.3	11.8
Poland	14.1	16.7	18.4	23.9	24.4
Romania	3.0	4.2	5.7	9.1	10.4
Hungary	4.3	6.4	6.8	6.9	7.6
CEMA (6)	33.4	41.5	45.9	55/6	59.4
USSR	13.7	11.6	7.6	8.4	10.5
CEMA (7)[4]	52.2	58.0	59.0	70.4	75.6
As a comparison:					
GDR according to DIW	5.3	6.8	8.0	9.6	9.6
CEMA (7) according to ECE	-	-	65.3	72.4	80.7
	Quota for servicing interests[5] in percentages				
Bulgaria	25	29	21	20	18
CSSR	8	8	9	11	15
GDR[6]	14	16	20	22	30
Poland	21	23	31	45	83
Romania	8	9	13	23	39
Hungary	14	20	22	25	40
CEMA (6)	15	17	20	27	40
USSR	6	6	3	4	6
CEMA (7)	12	13	13	16	23
As a comparison:					
GDR according to DIW	9	14	18	22	24

1. Total liabilities of CEMA states (government credits, bank credits, supplier credits, euro-loans as well as World Bank and IMF credits to Romania) less CEMA claims on Western banks which report to the Bank for International Balance of Payments (BIZ).

2. At prevailing foreign exchange rates.

3. Including inner-German movement of capital.

4. Including net liabilities of both CEMA banks (1981: $4.2 billion).

5. Annual interest payments as a percentage of exports to CEMA countries. The figures used are the average interest rates computed by the ECE: 1977: 5.5 percent; 1978: 6.2 percent; 1979: 8.5 percent; 1980: 11.1 percent and 1981: 13.9 percent.

6. Without the interestfree Swing credit in inner-German trade, as far as it was actually used by the GDR.

Sources: Data on gross debts according to Lawrence J. Brainard, Bankers Trust Company, New York.
Data on CEMA claims on Western commercial banks according to quarterly reports of the BIZ, Basel.
Data of the DIW: The problematic of the indebtedness reduces the chances of growth in the GDR. Editor: Doris Cornelsen, Weekly Report of the DDW, No 32, 1982.
Data of the ECE: Economic Survey of Europe in 1981, Geneva, 1982.

An examination of the figures for several countries shows that the estimates of interest charges may be too high. The rapid increase in the quota of payments for servicing interests, however, is rendered relatively accurately. The burden of debts on small CEMA countries is high, even by international standards. In addition there is the general crisis of confidence in the credit rating of CEMA states which broke out in the international banking system because of the Polish and Romanian insolvency. For the CEMA economies there are currently no new bank credits available; on the contrary, the banks are insisting on the repayment of loans that are due. An indication of this trend is the most recent development with respect to East European net debts owed to BIZ commercial banks (in billion dollars):

Debtor	1979 31 Dec	1980 31 Dec	1981 31 Dec	1982 31 Mar	1982 30 Jun
CEMA (6)	33.9	37.1	36.4	34.8	32.9
USSR	4.3	4.8	7.5	8.0	7.9
CEMA (7)[13]	40.5	44.2	45.6	44.4	42.3

The decline in the gross debt has essentially been the result of a reduction in assets, which--according to BIZ statistics--decreased from $15.6 billion (end of 1980) to $11.8 billion (end of June 1982). The CEMA states will have to obtain an export surplus in their balance of goods in the future to be able to fulfill their financial obligations in the long run, and at the present time it can only be accomplished by cutting off imports.

The situation for CEMA countries on the Western credit market has become even more complicated because of the recently agreed-upon OECD consensus on minimum interest rates for state export credits. This gentlemen's agreement of 21 July 1982, which tentatively will be in effect until 1 May 1983, prescribes the following minimum interest rates for state subsidized credits (old interest rates):

	Duration of Credit Years	
Country Group	2 to 5	5 to 8.5
Country group I (Per-capita GNP of more than $4,000; 39 countries)	12.15 (11.0)	12.40 (11.25)
Country group II (Per-capita GNP of $625 to $4,000; 68 countries)	10.85 (10.5)	11.35 (11.0)
Country group III (Per Capita GNP of less than $624; 72 countries)	10	10

According to the regulation currently in effect, the USSR, the GDR and the CSSR belong to the richest group of countries. Before the agreement all CEMA states were included in the second group of countries.

Last summer's liquidity crisis in Mexico and other Latin American debtor states increased the worldwide financing and payment problems dramatically.[14] To be sure, there is a danger that the international crisis of indebtedness is even aggravated through an overly cautious reaction by banks. Nevertheless, the note-issuing banks of Western countries are trying to keep the international banking system operable.[15] As a result there is hope for the CEMA economies that the banks will also abandon their current rigid policy toward them. Of course, those CEMA countries which are deeply in debt must make all efforts possible to balance their foreign trade accounts with the West. It is their only chance to increase their credit rating.

Joint Western Trade Policy with the East

Following the introduction of martial law in Poland (13 December 1981), the U.S. President imposed a number of economic sanctions first against Poland (23 December 1981) and then also against the USSR (29 December 1981). As far as the measures against the USSR are concerned, they apply primarily to the export of energy equipment, electronic instruments (above all computers) and equipment which represents advanced technologies ("high-technology materials"). On 18 June 1982 President Reagan decided to extend these embargo measures directed against the USSR also to foreign subsidiaries of U.S. firms and to foreign manufacturers licensed by the United States. This expansion was an extraterritorial application of U.S. law, it interfered with existing contracts and was intended to induce West European allies and Japan to join the U.S. policy of sanctions. The United States also demanded a reduction in the credit volume and a tightening of credit terms in East-West trade.

On 13 November 1982 President Reagan revoked the embargo measures in connection with the natural-gas pipeline deal and announced that he had developed a new--more restrictive--foreign trade strategy toward the CEMA states with the governments of the other participants of the Western economic summit. The principal items are

--dropping additional natural gas deals with USSR as long as there are efforts to find alternative solutions,

--increasing export controls for strategically important goods,

--harmonizing credit policies.

At the present time, however, it is not possible to predict the effects of this announcement on East-West trade. A contractual agreement has not yet been reached; the details will still have to be worked out. France already commented coolly on President Reagan's statement.

In the West it has more or less been realized that export controls are important within the framework of the COCOM[16] and for security policy considerations and that they should be expanded in the future as needed. Nevertheless, there are practical and political limits to an improvement of this control mechanism. Export restrictions on "sensitive" technology which can be used for military as well as for civilian purposes ("dual-use items") should not be "tightened," as has been demanded frequently, if it involves more than only an adaptation of the COCOM list[17] to technical progress. Because the three most important foundations of the COCOM control must remain unchanged in the interest of a continuation of this hitherto successful instrument: Informal basis (gentleman's agreement), unanimity and secrecy. In addition, the COCOM list must not be expanded too much: Important Western industrial states--for instance, Switzerland, Sweden and Austria--do not belong to the COCOM. A restriction on "sensitive" technologies which is too extensive would make it difficult for these states to participate voluntarily in these export controls--to the disadvantage of industrial cooperation between Western states.[18]

The demand for tightening export credit terms had already resulted in the so-called OECD consensus on minimum interest rates for state export credits. Consequently the distortions that were affecting the competition on this credit market were at least partially eliminated. A joint credit policy by Western commercial banks toward East Europe which goes beyond that, however, cannot be carried out and it also is not desirable for political reasons of competition.

Aside from a few exceptions--for instance, inner-German trade, the 1975 credit agreement between the FRG and the People's Republic of Poland--no specific credit and trade policy advantages for CEMA countries in East-West trade can be detected.[19] The demand for the elimination of preferential conditions is therefore without any foundation. On the other hand, however, it is an illusion to believe that CEMA countries could be induced to make political concessions through the introduction of specific trade and credit policies.

The economic conditions for the future development of East-West trade are unfavorable anyway. The recession in the industrialized West is continuing, the economic boom on a worldwide scale has not yet materialized: The 1983 real gross national product of the 15 most important Western industrial countries will stagnate for all of them, which means that an increase in exports from CEMA countries is not to be expected. On the other hand, economic crisis phenomena are also gaining more weight in East Europe, economic growth is continuing its decline, all 1981-1985 Five-Year-Plans have become more or less obsolete and do no longer represent a guideline for state economic policies. It can already be labeled a success if the share of East-West trade as a proportion of all world exports does not drop any lower.

FOOTNOTES

1. The non-European members of CEMA--Cuba, Mongolia and Vietnam--are not included. GDR includes inner-German trade.

2. The transfer ruble is the joint foreign currency unit of the CEMA countries. Its computed parity toward other--Eastern and Western--currencies is established by the International Bank for Economic Cooperation, one of the two CEMA banks. In 1981, the parity toward the U.S. dollar was 1 transfer ruble = $1.39.

3. Only the CSSR, Poland, the USSR and Hungary published data on the development of their foreign trade prices. For the first three countries these figures concern price developments toward the OECD and developing countries combined.

4. Systematic deviations result from the geographic demarcation (including or excluding inner-German trade), the trade terminology (general or specialty trade, i.e. inclusive or exclusive trade subject to tariffs), the method of listing areas according to sales and purchases (buying and selling country or country of origin and destination), the method of listing special transactions (including or excluding gold for monetary purposes), the list price (fob or cif); in addition there are discrepancies due to time and variations in the amount of regulations dealing with secrecy. Presumably there are other reasons of significance because some of the deviations are considerable. According to the CEMA statistics, the 1981 CEMA states trade with the OECD countries resulted in an import surplus of more than $3 billion; according to the OECD statistic, however, they achieved an export surplus amounting to $140 million (including inner-German trade).

5. Cf. P. Marer, "Toward a Solution of the Mirror Statistics Puzzle in East-West Commerce," Internationale Wirtschaft--Vergleiche und Interdependenzen [International Economics--Comparisons and Interdependencies], edited by Friedrich Levcik. Festschrift for Franz Nemschak, Vienna and New York, 1978, p 430 ff.

6. Including inner-German trade.

7. The dates refer to the calendar year. Since 1976, Soviet foreign trade statistics do no longer carry a complete listing of grain import quantities.

8. In 1981 the USSR had to buy between 40 and 44 million tons of grain from nonsocialist countries, i.e. against convertible currencies, at a cost of 4.2 billion transfer rubles ($5.9 billion).

9. The estimate comes from a U.S. source, because the USSR has not yet published official figures on 1981 harvest results. Current estimates of the 1982 harvest point to 180 million tons.

10. To date the USSR has concluded long-term grain-shipment agreements with the following countries: United States (1975; minimum amount 6 million tons annually), Canada (1981; 5 million tons), Argentina (1981; 4 million tons) and France (1982; 1.5 million tons).

11. Cf. "Problematische Planziele der RGW-Laender. Fuenfjahrplan 1981 bis 1985: Mehr Produktivitaet bei stagnierendem Verbrauch" [Problematic goals of CEMA countries. 1981-1985 Five-Year-Plan: More Productivity in spite of Stagnating consumption], editors: Jochen Bethkenhagen, Maria Lodahl. Heinrich Machowski, Maria Elisabeth Ruban, WOCHENBERICHT DES DIW, No 25, 1981.

12. The 1981 quota of interest charges for the most deeply indebted countries of Latin America was: Brazil, 45 percent; Argentina, 44 percent; Chile, 40 percent; Mexico, 37 percent and Equador, 30 percent. CF. FINANCIAL TIMES, 15 October 1982.

13. Including a residual amount which is not divided by region.

14. At the end of 1981, the net indebtedness of the seven Latin American countries that owed most to BIZ banks amounted to more than $118 billion.

15. "Mexico's liquidity crises has made it clear that to continue lending to the heavily indebted countries of the world is the only available course," FINANCIAL TIMES, 15 October 1982.

16. COCOM (Coordinating Committee) was founded in 1950 for the purpose of controlling certain exports to communist states (except Yugoslavia and Cuba). All NATO countries (except Iceland) and Japan are cooperating in the COCOM.

17. There are actually three COCOM lists: 1. List of weapons, 2. list of nuclear technology and 3. list of "sensitive" technologies. While there is little disagreement on the first two lists among the COCOM states, the contents of the third list has always been the subject of--partially strong--controversies.

18. During this year's Swiss machine tool exhibition in Moscow, the Bundesrat delegate said, "that the agreements made within the framework

of the COCOM are not binding for Switzerland since it is a neutral state. In cases which presented complicated problems of interpretation, however, it is in the own interest of the effected firms to adhere to existing obligations with respect to foreign components and licenses.... To avoid a head-on collision with the COCOM controls, the Swiss producer usually chooses an alternative; instead of U.S. licenses or U.S. components he uses his own developments," NEUE ZUERCHER ZEITUNG, 24-25 October 1982.

19. Even the shipment of butter that has been reduced in price and which comes from EC stockpiles is not a subsidy of the USSR but a support action for farmers in the EC.

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PLANS FOR DEVELOPMENT OF TRANSPORTATION SYSTEM

Tirana RRUGA E PARTISE in Albanian Sep 82 pp 37-45

[Article by Luan Babameto: "The Development of Transportation Must Fully Satisfy the Needs of the Economy and of the People on Schedule" passages between slantlines printed in boldface]

[Text] Our transportation, being the continuation of the production process in the sphere of circulation, plays an important role in socialist reproduction, as the main link between producers and users of the social product and as a powerful support for the development of all branches of the people's economy and of the comprehensive progress of the country's life. As such, it has also developed and is developing on the basis of the economic laws of socialism, establishing correct proportions between the development ov various branches of production and of transportation and also between the different types of transportation.

As a result of the special concern which the party has shown and is showing, today automobile highways are linking not only cities and large production centers, but also the most remote villages of the country. The railroad transportation sector has developed rapidly and with priority; today, it executes about 43 percent of the volume of work in the sector of the Ministry of Communications. Our present sea transportation system is equipped with modern, large tonnage vessels capable of taking care of 27 percent of the transportation of our export-import goods. Our seaports have been developed and reinforced. Our automobile transportation has also been developed from one 5-year plan into the other 5-year plan. The motor pools in the north alone today have 26 percent more transportation capacities than the motor pools of the Ministry of Communications had in 1960; and in one day alone, today, there are about 500,000 travelers travelling in all the country.

On the basis of the revolutionary initiatives and the creative thought of our workers and by expanding the technical and scientific revolution in an uninterrupted manner, a great number of the needs for goods trailers, barges, buses, freight cars, motor fishing boats and other sea vessels, port electric cranes and various other cranes, refrigerator trucks and various machines and pieces of equipment were made possible with our own forces, and the production of spare parts was greatly increased.

Today, we have a whole army of workers, specialists and cadres of the transportation sector who, educated in and inspired by the party teachings and the example of heroes of socialist labor and of other vanguard workers and, relying on experience gained, are capable of executing even greater tasks in order to make a qualitative leap in the development of all kinds of transportation in harmony with the requirements of the present stage of the intensive development of our economy and of the entire life of the country.

The Seventh Five-Year Plan provides that the overall volume of transportation will be increased by 36-38 percent, while railroad transportation will be increased by 84 percent. Work is being performed everywhere, with a high spirit of mobilization, for implementing these tasks. This fact is shown in the results achieved in 1981 and in those achieved during the January-August period of 1982.

Implementing the party guidelines, the rail transportation sector continued its priority development twice as rapidly as automobile transportation. In automobile transportation, too, the volume of work with trailers for the Ministry of Communications increased twice as rapidly as the volume of work with trucks. During 1981, especially, after Comrade Enver Hoxha's observations and recommendations, a number of measures were taken for the further intensification of rail transportation. Some 700,000 more tons of goods than of goods than in 1980 were transported by rail. In the meantime, the automobile transportation was better regionalized, a more rational distribution of vehicles was organized, the average distance of the movement of goods was reduced and expenditures for one ton-goods transportation were reduced by 1.8 leks in comparison with 1980.

However, the present stage of the socio-economic development of the country assigns increasingly greater tasks to the communications workers. In addition, a critical analysis of present achievemements shows that we have shortcomings and weaknesses in our work, as well as many unutilized possibilities for reducing the loading and unloading time and the time that railroad cars are left standing stations, for reducing the time needed for repairs of vehicles of various types of transportation, and for increasing the technical indicators for their utilization.

The real evaluation of the situation of transportation in our country has assigned very important tasks to the basic party organizations, the government and economic organs and to every worker of this sector for invigorating and further perfecting work, especially, work organization and management, aiming at achieving the two main objectives set by the party: /the regular satisfaction of the needs of the economy and of the people,/ and /the increased effectiveness of all types of transportation/ at the level of the entire economy.

The achievement of these objectives requires that work organization and management be based, better than until now, on thorough knowledge and on healthy principles and criteria stemming from the laws of social and economic development and from scientific and technical development itself. It is important for all communists, cadres and specialists of the transportation sector to correctly understand the great importance of these tasks and, with a great feeling of responsibility, to use the new ways and forms of work organization and management for a regular fulfillment of the tasks and for increasing the effectiveness of transportation.

/The further improvement of relationships between producers, transporters and users of products, aiming at fulfilling the contractual tasks on schedule, is one of the main means of satisfying the needs of the economy for transportation.

Like our economy, our transportation, too, is developing on the basis of a single and general plan, where all the links between the economic enterprises, branches and sub-branches of the economy and the districts are harmonized and coordinated at the level of the entire country. In this framework, the main task of the transportation workers is the movement of products on schedule, in quantity and quality, and with as few expenditures as possible, from the producer to the user. Any lack of fulfilling the plan in these indicators creates difficulties in the achievement of the economic production activity in the special enterprises on the level of the branch and of the economy in general.

The most important things in the execution of the tasks in transportation, especially, under the present conditions, when the dimensions of the development of production have increased and when relationships between the enterprises, branches and sectors of the economy have become more complex, are the precise study and determining of the requirements for transportation for every basic unit of production and for every district and area, properly knowing and taking into consideration the seasonal aspect of products, the sources of supply, the regionalizing of distribution, the movement of the labor force and so forth. The purpose is to execute the most realistic plan for the coverage of transport needs, including the busiest periods of work and, on this basis, to regionalize the means of transportation, coordinate [transport] types, create the necessary conditions for the rapid and proper loading and unloading of products, and achieve the specialization of the means of transport and so forth.

This year, good experience was gained in this field when, as a result of realistic planning and organizational measures, the tasks were better fulfilled than at any time and in a regular manner. Of particular importance were the measures for the concrete coordination of the transportation plan with the plan for the movement of products and, on the basis of this coordination, with the distribution of the concrete tasks for every transport enterprise and for vehicle groups. Of importance also were the measures to precede everything with study work, so as to respond to the development of economic branches and to the needs of these branches with transportation means, to expand the types of transportation and to prepare transportation for meeting every situation which can arise.

Nevertheless, much remains to be done, especially, in regard to instilling deeply in the mind and awareness of every transport worker a correct understanding about the purpose of our transportation, about the increase of the feeling of responsibility and about the strengthening of contractual discipline, because, there are manifestations of global fulfillment and of one sidedness in the execution of the planned tasks, as well as manifestations of the spirit of giving excuses when the tasks are not properly fulfilled. Contracts must be fulfilled on schedule, especially, the so-called small contracts; and, a more effective system of controlling and monitoring the tasks must be established. We stress this, because of the fact that this year, too, along with some transport enterprises, such as, the good's motor pools in Tirana, Elbasan, Prrenjas, Lushnje, Peshkopi, Fush-Arre and Burrel, which fulfilled the contractual tasks for the

January-August period 100 percent, there are others which created gaps in the fulfillment of their tasks.

Experience shows that the strengthening of cooperation and coordination of work in all links between producers, transporters and consumers, and the execution of reciprocal tasks born in the field of contractual relationships, play an important role in regard to the satisfaction of requirements for transportation on schedule and with good quality. Thus, for example, during the first 6 months of last year, because, of lack of coordination of work between some transport enterprises and the forest enterprises, noticeable shortcomings were created in the transportation of timber and fire wood. While, when this problem was correctly evaluated and a common action was organized, and when concrete measures were set for and implemented by every work front--such as, the designation and involvement of the necessary quantity of vehicles, the increase in the number of loading places and their mechanization and, above all, thanks to the great mobilization of workers of both sectors--it was possible to cover the shortcomings and to overfulfill the tasks.

Life has also shown that, at certain moments, zigzags are created in the fulfillment of the production tasks, as a result of overfulfillments or failure to achieve fulfillment according to expectations; our transport sector must skillfully respond to these zigzags. We must be ready to respond, in the best and most rapid manner, to the situation which may arise in order to drive to the set destination even those quantities of products which could not have been foreseen in the contract. And, this is achieved, as the experience shows, when the transport enterprises are prepared in advance, when, from the director down to the simple worker, there exists a healthy spirit of struggling and of making efforts to overcome difficulties and to fulfill the tasks in any situation, and when the party organizations levers and all party under their leadership determinedly struggle against erroneous and onesided attitudes, against the spirit of trying to justify things, and against the examination and solving of issues in the perspective of narrow local and departmental interests.

/The development of rail transportation at more rapid rates than the other types of transportation/ is one of the main objectives assigned by the Eighth Party Congress for the satisfaction of the needs for transportation and for the improvement of the effectiveness of this branch of the economy. "Taking into consideration the needs of the development of the eocnomy and the great economic benefit," Comrade Enver Hoxha stressed at the Eighth Party Congress, "/rail transportation will be given priority and will be developed more rapidly/" (Enver Hoxha, "Report to the Eighth Congress of the Albanian Workers Party," p 45). For this purpose, during this 5-year plan, new railroad lines and branches will be constructed; they equal 37 percent of the entire length of the existing railroad network.

The great and intensive development which was given and is given to all branches of the economy, especially, the extraction and processing industry, the increased volumes of export-import, the expansion of domestic trade and so forth, also requires larger and quicker transportation with as few expenditures as possible. However, now, this task cannot be fulfilled with the structure and forms of the small transportation, mainly with the means of the automobile transportation, because, among other things, this kind of transportation is more expensive. It was for these reasons that the Eighth Party Congress assigned concrete tasks for the development and further intensification of the railroad transportation, as the transportation of great quantities, rapid and less expensive in comparison with automobile transportation.

With the changes scheduled to take place in the structure of transportation, in 1985 about 47 percent of the entire transportation carried out by the means of the Ministry of Communications will be executed by railroad transportation, as compared with 37 percent in 1980. This increase of railroad transportation will assure the movement of goods on schedule, especially, massive goods, and will satisfy the needs of the economy and of the working masses with transportation.

In order to implement the tasks assigned by the party in this filed, important measures were taken to expand the railway network and to intensify the utilization of railways. Thus, the motor pool of railway cars was increased; railway stations are being reinforced with mechanisms; railway branches are being increased; and the number of storehouses and of grounds is being increased and so forth. As a result of these measures, the specific proportion of railway transportation has been increased in a noticeable manner. This year, 43 percent of the volume of transportation is carried out by the railway network.

However, in the railroad transportation sector there are still many shortcomings and weaknesses, especially, in the utilization of means of transportation. There are delays in loading and unloading railroad cars, long periods of standings in transit points, delays in the delivery of goods and so forth, which have created worries for the economy.

To better utilize railroad transportation capacities and to further invigorate railroad transportation, it is necessary to strengthen technical and utilization disciplines and to solve more rapidly some key problems connected with the improvement of the transport capacity of the railroad lines, such as the increased speed of trains and the improvement of the organization of work for the maintenance of railroad lines, the preparation of train schedules on more scientific bases, the modernization of the signal system and of connections and the automation of information for the rapid processing of data and so forth. To promote activities in all these directions, it is necessary to struggle more effectively against the wait and see attitude observed in some cadres and workers in the field of transportation who are used to the old forms of management.

The Eighth Party Congress stressed that "The achievement of structural changes in transportation requires new forms of organization and a number of other technical measures in order to intensify the utilization of railroads" (Enver Hoxha, "Report to the Eighth Congress of the Albanian Workers Party," p 45). For the fulfillment of this recommendation, studies have been carried out and work is being done for the further improvement of railway stations, for the rapid loading and unloading of goods and so forth. In the meantime, it is essential that the new transportation forms with containers, baskets and so forth, which have started to be implemented, be widely disseminated everywhere the opportunities exist. Also, for the rapid movement of goods from railway stations, a further perfection of the zoning of automobile transportation is required, so that it will be more harmonized than up to now with the railway transportation through specialization of the means, through a better planning of the tasks and through the perfection of control over their implementation.

The introduction of new forms of work organization and management in transportation cannot be achieved without comprehensive work on the part of the basic party organizations and of their levers for strengthening the discipline of work and of technology and without struggling against all liberal and bureaucratic manifestations and attitudes that become an obstacle to the rapid development of railroad transportation in harmony with other kinds of transportation. Order, discipline and modernization of organizational and managerial work are essential for the nature of work itself in this sector of the economy, where work processes are carried out uninterruptedly during a 24-hour period. This requires that tasks be fulfilled with skill and on schedule in every link of work organization and management, because, every negligence and violation of regulations, however small they may be, cause serious consequences. Also, it is necessary to take drastic measures for the maintenance, proper handling and proper administration of goods during their transportation and processing in railway stations and for strengthening revolutionary vigilence and the strict implementation of regulations and control in this field, because, any negligent and liberal attitude in regard to these matters cannot help but result in incalculable harm to the conditions of great transportation of products and goods.

The requirement for improving the effectiveness of transportation assigns very great tasks, first of all, to the workers of this sector of the economy. However, achievements in this field also depend greatly on the work of workers of other sectors and of the senders and receivers of products, because, the effectiveness of transportation cannot be at the required level if producers and users of products do not respond to large-scale transportation with necessary organizational and technical measures, for example, eliminate bottlenecks in the preparation, storing, sending and receiving of production in large quantities which trains transport with full loading.

In the present stage, we cannot progress by using artisan practices in transportation, for example, in the transportation of timber, bricks, sacks, food and other consumer goods which, until they reach their set destination, need five or six operations of loading and unloading.

It is essential that we respond to large-scale railway transportation in a better manner by extending and expanding complexes for loading and unloading, storing goods in railway branches and placing storage areas near the railroad lines. The adopting of these measures sppeds up the movement of goods, eliminates intermediary activities in loading and unloading processes and reduces transportation expenditures in general. However, this issue cannot be solved by partial and occasional measures. It is time for all government departments to provide, in their annual plans, for measures to extend lines, grounds, storage areas and mechanisms for loading and unloading in the enterprises under their jurisdiction in the railway branches for the purpose of eliminating the bottlenecks which are created and being created through the increase of production and of supply of raw materials.

The socio-economic development of the country has been continually accompanied by an invigoration of passenger service. Now, in our country this service, with very low fares, fares which cannot be compared with those of the capitalist, bourgeois and revisionist world where they are always increasing, is widely extended, up to the most remote areas of the country. However, the increasing needs and requirements for this kind of service, which is linked with the development of production forces in general, with the opening of new work fronts, with the intensification of agriculture and with the social and cultural development of the people, dictate the adoption of future measures for its extension and improvement. This is, because, shortcomings and weaknesses are observed in this kind of service, such as, failures to execute schedules for the movement of trains and buses, and overloadings in various periods--cases which are difficult to put up with--as well as cases of uncultured service. The possibilities for fulfilling the needs properly, through the best utilization of existing capacities and through increased production of buses and railroad passenger cars in the country, are numerous, however, the main point remains the intensification and improvement of work so as to utilize the existing reserves in the best way possible and to strengthen discipline and order in passenger service.

The movement of products on schedule, the improvement of passenger serivce and the improvement of the effectiveness of transportation are also linked /with the improvement of the level of utilization of means of transportation/ such as locomotives, railroad cars, trucks, ships and so forth. For this purpose, keeping vehicles in complete readiness and their best utilization are of great importance.

The experience gained in this field is very rich. New initiatives for better results in the maintenance and utilization of transport means exist everywhere and in all kinds of transportation. The initiative of using locomotives 28-29 days per month, without reducing the concern for their maintenance, is being extended widely. And, as a result of the comprehensive work carried out by the party organizations and their levers for the understanding and implementation of the principle of relying on one's own forces, and of the organizational and technical measures which have been executed, the majority of cars have a technical readiness of more than 95 percent. We have hundreds of drivers who are fulfilling a high coefficient in the use of vehicles. In our workshops and machine bases, we have a great number of workers who distinguished themselves in innovation and in work of high quality.

However, this general positive situation must not make us unaware of weaknesses and shortcomings. There are transport enterprises and workers that do not fulfill their tasks as they should and, consequently, have a low coefficient in the use of vehicles at their disposal.

Therefore, the party assigns the task for strengthening the organizational and managerial work and for a strict implementation of scientific discipline in order to improve the technical readiness of means of transport by executing the necessary services, especially, the preventive services and reassembly work, and by improving the quality of repairs of all kinds of vehicles. Along with this, we must properly execute all measures which influence the increase of the average daily speed of the movement of vehicles and, in general, the increase of labor productivity by the reduction of time spent in loading and unloading cars, ships and vehicles, through the extension of the two-driver system in automobile transportation, through the reduction of trips made without loads or with incomplete loading and so forth. Of particular importance are the measures for the organization of loading and unloading in shifts for the improvement of packaging and wrapping and for the improvement of the level of mechanization in all links of transportation.

In the conditions of the intensive development of our economy, especially, the perfection of the organization of technological domestic transportation assumes a great importance, harmonizing and using all kinds of transportation in the economy in a wider and more racional manner.

It is a fact that this kind of transportation is being organized and used better and better from year into year. Efforts have been made to centralize the means of transportation in special motor pools and sectors and to plan their utilization with full indicators. Nevertheless, many vehicles are scattered among various enterprises and are used with an output 30-40 percent lower than the centralized vehicles. Also, the use of trailers in these means of transportation is very limited, while, the organization of work for their loading and unloading leaves much to be desired.

The reason for these shortcomings must be found precisely in the fact that some cadres and workers of the production enterprises do not evaluate the problems of transportation of products the same way as they evaluate those of production; they forget that transportation is the continuation of the process of production in the sphere of circulation and that the work spent on it is charged to production costs. Consequently, they do not take the necessary measures to limit and eliminate thousands of hours of delays in the movement of vehicles or in unnecessary movements and with limited loads. Great unused reserves, especially, exist in the utilization of the means of transportation of the agricultural cooperatives. The main thing for the utilization of these reserves is to study and to generalize progressive experiences, such as, for example, the experience of transportation sectors of the agricultural enterprises in Maliq and Lushnje in regard to organization and utilization of vehicles, in regard to the use of trailers, and in regard to the conversion of trailers into automatic unloading trailers, as well as the initiatives to improve the level of mechanization in the loading and unloading processes. More attention is needed to increasing the number of carts and oxcarts and their utilization; they are very suitable for the internal movement of products.

The further development of other kinds of transportation, especially, the expansion of transportation by cableways in the various sectors of the economy, has curbed the erroneous concept of solving everything by automobile transportation. Thus, in some important sectors of the economy, for example, in forests, mines, construction, agriculture and so forth, instead of the broad use of transportation by cableways or by other means of transportation, attention was concentrated mainly on the opening of automobile roads. Practice shows that where transportation by cableways was utilized, the distance of the movement of products was reduced, economies were effected in the use of vehicles, tires and fuel and conditions were created for a regular transportation during the whole year, thus, reducing the seasonal nature of the transportation of some ready-made products and of raw materials. The issue is that the experience, which has been gained, must be disseminated everywhere the possibilities exist.

All these problems set before us the need to perfect the work of the party organizations, the government and economic organs, the mass organizations and of all cadres and workers of the various kinds of transportation in order to better respond to the tasks assigned by the Eighth Party Congress for a qualitative improvement in the development of transportation.

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CSO: 2100/15

ACHIEVEMENTS IN MACHINE INDUSTRY CITED

Tirana RRUGA E PARTISE in Albanian Sep 82 pp 46-55

[Article by Robert Laperi: "The Machine Industry--On the Road to the Machine Building Industry"]

[Text] In the framework of the socialist industrialization of the country, the party has devoted a particular and continual concern to the development and invigoration of the machine industry, as one of the most important branches dealing not only with the development of all branches of industry, but also with the development of the economy in general, as well as with the strengthening of the defense capacity of the country. As a result of implementing the correct policy of the party and under its attention, our machine industry has developed at rapid rates and, today, it holds the first place in the overall industrial production. Along with the satisfaction of the needs for spare parts, today, our machine industry designs and produces machinery and pieces of equipment for the building of various projects completely with our own forces.

Important successes were achieved, especially, in the production in the country of thousands of new kinds of spare parts for vehicles of the petroleum industry, of transportation, of mines, of geology, of construction, of agriculture, of defense and so forth. Even complicated pieces of equipment were produced, such as cylinder blocks, crankshafts, speed boxes, gears and so forth. A fruitful work has been achieved by the machine industry workers, especially, during these past years, to regenerate spare parts, building and reinforcing the special lines for the regeneration of the main parts; this has greatly reduced the use of new spare parts. As a result of all this, the maintenance of the majority of the kinds of main vehicles and of objects of various branches of the economy has been carried out independently from imports.

There also are good achievements in the production of machines and pieces of equipment for improving the level of mechanization of work processes in various sectors of the economy, such as agriculture, mines, construction, transportation, petroleum and elsewhere, for expanding the existing production capacities and for setting up new projects. Thus, during the past years, the machine plants and workshops of the country produced thousands of tons of machinery and pieces of equipment for many important projects, such as, those produced for setting up the sugar plant in Maliq, the construction of some mineral enrichment mills and for some projects which were not completed by the Chinese revisionists, for example, in the "Steel of the Party" metallurgical plant, in the ferros-chromium plant in Burrel and so forth. We have also produced a number of machines for lines, workshops and complete plants for processing agricultural and livestock raw materials and for the production of construction materials, as well as many important projects and machines, such as ships for transporting goods, fishing boats, railroad cars, electric cranes, some kinds of trailers for vehicles, tractors, vehicles, motors, aggregates, various probes, electrodredges for mines and many agricultural machines.

Along with achievements in the production of pieces of equipment, machines, spare parts, and metal consumer goods, we produced a great number of new and special brands of steel, cast iron, colored metals and a wide range of technological instruments, of forms, presses and of other pieces of equipment; and the plastic processing of metals has been further expanded; all this has continually reinforced the base for the further expansion of production.

The present achievements of the machine industry speak not only about the great development carried out by this branch of the economy. They also show the great possibilities which the industry has for taking the qualitative step that is required for entering more broadly into the development of the machine building industry. "Now that we have our steel and we have built a powerful machine industry," Comrade Enver Hoxha stressed at the Eighth Party Congress, "the conditions have been created for this branch to have greater tasks.... In the years of this 5-year plan, the machine industry will be involved on a large scale in the production of pieces of equipment and machines for the construction of new lines and plants, for reconstructions, and for various extensions of the production capacities" (Enver Hoxha, "Report to the Eighth Congress of the Albanian Workers Party," p 24).

In the present stage of the socio-economic development of the country which, among other things, is characterized by fully relying on our own forces, the task set forth before the machine industry workers is to assure the proper maintenance and normal functioning of the existing means and technology of production in all branches of our people's economy through the consolidation of achievements in the production and regeneration of spare parts, radically improving the quality of production and further increasing regeneration, as well as to further advance work for the design and production of thousands of machines and pieces of equipment needed for about 350 important projects to be built in this 5-year plan in the various branches and sectors of the economy. Thus, for example, the machine industry is asked to produce machines and pieces of equipment for the plants for the enrichment of mineral ores, for a number of projects of the metallurgical combine, for the expansion of petroleum processing plants and of the other chemical industry plants, for setting up a number of livestock complexes, for brick and cement plants and for many lines and plants for the development of light industry and the food industry. Also, during this 5-year plan, about 500 types of major machines for general use will be produced; they will serve to improve the level of mechanization in mines, petroleum, agriculture, construction, transportation and so forth.

The fulfillment with success, on schedule and with good quality of all these tasks requires thorough understanding and examination of the directives assigned by the Eighth Party Congress, as well as comprehensive mobilization, organization and technical-scientific discipline for their execution, under the leadership of the party organization, with the communists in the fore front.

To achieve the qualitative step that is required in the development of the machine industry, particular attention is given to the study, organization and scientific management of work and production, to putting production technology on the most scientific bases, to the unification of constructions, to the better and better utilization of production capacities and to specialization and planned cooperation in production. The expansion and perfection of work in all these fields is dictated by the fact that machines and pieces of equipment, which will be produced during this 5-year plan, have, as a distinctive characteristic, a relatively large complexity from the aspect of construction and from the aspect of production technology. While, the majority of them are unique or in a very small number, a fact which makes it difficult to design and organize production and requires a great training of workers. Because of these reasons, the party recommends that all attention of specialists and vanguard workers, of builders and technologists of technical bureaus, of study and scientific institutes and of all designers be concentrated on the improvement of the quantitative level and of the effectiveness of study, design and experimental work for the organization of production of machines, pieces of equipment and spare parts which are scheduled to be produced in this 5-year plan.

The blueprints of machines and pieces of equipment, which are needed for the building of new lines and projects with our own forces, are drawn up today by some specialized institutes and by some work groups set up near these institutes on specified themes; while, the blueprints of machines and pieces of equipment of serial production are drawn up at the technical bureaus of the machine plants and by the work groups set up at these bureaus.

Such a distribution of work has given positive results and made it possible to achieve a great volume of work. Nevertheless, design work still is not preceding production as it should. Blueprints are not delivered to the production plants more than 1 year in advance, so that the technological and material preparation of production can be made on schedule, precisely, because, of the fact that labor productivity, in the area of design especially, in the work groups, is relatively low. The lack of experience and the insufficient training of many cadres, who are selected for design work, affect this issue, because, it frequently happens that specialists, who have not dealt with construction work for a long period or who have worked in other fields, are entrusted with design work. However, one also observes weaknesses in work organization and management. Thus, the level of specialization in design work is low and, consequently, designers are entrusted with various tasks, neglecting specialization according to the kinds of machines and pieces of equipment.

Efforts were carried out and are being carried out for solving these problems. And, there are achievements. However, possibilities also exist for greater and more rapid achievements. This is required for the fulfillment of the tasks in the present stage of development and in the future, because, for example, since this 5-year plan, the volume of design work increases more than five times compared to the past 5-year plan, without mentioning its complexity and qualitative aspect.

In these conditions, the increase in the yield and quality of design work take priority in order to precede the production of machines with the necessary designs and for its normal development. And, the main factor for increasing yields and the quality of design work, as also shown by experience, is the improvement of work organization which constitutes the greater resserve, a reserve which is not properly used until now.

In the framework of improvement of work organization, centralization and specialization of design efforts and construction preparations for production, according to machines and construction similarity, assume a special importance. Now, the opportunities exist, along with the expansion of centralization and specialization of plants, for the production of machines and pieces of equipment, for the centralization and specialization of the work for designing these machines, setting up, for this purpose, near the technical bureaus of these plants, alongside the existing technological sectors, specialized construction sectors in order to design, on time, these machines and pieces of equipment which are produced in the plant and to deal with the further improvement of the construction of these machines and pieces of equipment. This can and must be done for the machines and pieces of equipment in serial production, such as internal combustion motors, vehicles, railroad cars, various kinds of cranes and so forth. While, the standard machines and pieces of equipment of general use, which are needed for setting up new projects or lines, as stipulated in the Special Decision of the Council of Ministers of the People's Socialist Republic of Albania, will be drawn up in the specialized bureaus at the Institute of Mechanical Studies and Designs.

The execution of these organizational measures will lead to the specialization of designers in various fields and, consequently, to the improvement of the quality and to the increase of their labor productivity. Therefore, we must put an end to all delays, difficulty and slowness in the setting up of these design organisms.

Centralization and specialization of design work requires a more studied and more thorough distribution of production of machines and pieces of equipment not only in the machine plants and workshops of the Ministry of Industry and Mines, but also in all machine plants, workshops and bases of the country. This would improve the quality and labor productivity in the production of machines and pieces of equipment; but, at the same time, it would train specialists and workers for specific constructions. Thus, for example, the production of all kinds of lifting equipment can be centralized in the industrial assembly enterprise in Tirana, the production of lifting equipment for railroad, sea and automobile transportation at the workshop of the Port of Durres, the production of stainless steel machines and equipment at the enterprise for metal products in Elbasan and so forth.

The production of as many machines as possible in the country and the reduction of their import require the assignment of concrete tasks for each plant and workshop and the establishment of a centralized control, as was done for spare parts, for all the import of machinery, of pieces of equipment, of fittings and of movable means by the different ministries. We stress this, because, still one can see cases where machines and pieces of equipment are brought from abroad, while, they could have been produced in the country if the centralized management were improved and a strict centralized control applied.

Of great importance in all organizational and managerial work in regard to study; design and production of machines and pieces of equipment is the implementation of Comrade Enver Hosha's recommendation: "To design and produce machines and pieces of equipment of new kinds, with economic and technical indicators and parameters capable of responding to the present level of techniques and technology; and we must not start only from the point of view of producing that type which can be fulfilled and constructed more easily, which is not always the best and the most suitable" (Enver Hoxha, "The Progress of the Country is Inseparable from the Development of Science and Technology," pamphlet, p 20). We stress this, because, in practice there are cases showing that this issue is not given the necessary importance. Some cadres understand the design work in a simple manner, as a work dealing simply with the description of machines or of parts of equipment. Consequently, there were cases when machines and pieces of equipment were produced on the basis of the existing level, at a time when the possibilities existed for designing and producing them with higher economic and technical indicators.

Experience shows that, in order to implement the party guideline in this field, it is necessary for the design work to be evaluated correctly and carried out in some stages, starting with the study and drafting of the project to be designed in order to determine the type, destination and all economic and technical parameters of the machine, with the setting of its main technical scheme, with the composition of the general view and of the sketches of the assembly work, with control over the observance of standards and with the setting of technical conditions and tests, extending up to the production and utilization of the machine or of the piece of equipment. The proper harmonization of work in all stages of the study, designing and execution process, strongly relying on scientific data, will, undoubtedly, assure the most suitable type for the conditions of our country both from the aspect of construction and normal functioning and from the aspect of economic indicators.

In improving the labor productivity of design work and, consequently, accelerating the designing and production of machines and of various pieces of equipment, a special role is played by the standardization of parts, joints, machines, fittings, equipment, technological instruments and so forth. And, this standardization must penetrate more widely both into construction preparations and into the technological preparation of production.

Standardization in the machine industry today is managed by the Institute of Mechanical Studies and Designs for the building of machines, fittings and various technological equipment which have made a great contribution both in facilitating and accelerating design work and reducing production time. Also, some advanced machine enterprises of the country, such as the "Enver Hoxha" auto-tractor combine in Tirana, the "Petro Papi" instruments plant in Korce and others have their own necessary standards for the building of technological equipment for high temperature and mechanical processing.

However, the work done so far for standardization is only a good beginning which, by all means, must be further advanced. The broader involvement of the machine industry in the production of machines and pieces of equipment for the construction of new lines and plants, for various reconstructions and expansions of production capacities sets forth the need to increase the number of standards, both in the field of construction and, even more, in the field of technology, where their number is small. Also, in regard to the machine works which deal with the production of machines and pieces of equipment, such as the agricultural machine works in Durres, Korce and Fier, the "Dinamo" plant in Tirana and others, time has come for them to be equipped with the various technological standards which are at the disposal of the advanced plants of the country and for the creation of those standards which can be sepcific for them. For fulfilling this task, among other things, it is necessary to complete and further invigorate the standardization of work by the Institute of Mechanical Studies and Designs; while, the technological bureaus of the main machine plants can and must designate specialists for this issue.

However, in practice, there are cases showing that approved standards are not taken into consideration, as they should be, by the various design groups, by the technological bureaus and by the specialized constructive sectors attached to various institutes. Also, there are cases showing that these standards are not used, because, they are not known, that time is spent in vain on designing units and so forth, from the beginning. To eliminate these shortcomings, it is necessary, along with the work for the creation of new standards, to have a better methodical management by the Institute of Mechanical Studies and Designs and by the machine directorates in the ministries and to exert more control over the standards set; while, the technological bureaus in the enterprises of the machine industry must organize better, than they have done, their work for supplying the necessary standards, thoroughly knowing them and utilizing them to the maximum in all construction and technological projects.

The broad utilization of standards requires greater work in regard to unification of materials and to finding ready-made, normalized and standardized products in order to reduce the cycle of production. The work, which has begun, for the production of various standards, such as the linking elements, chains, reductors and so forth, can and must be further advanced. The experience of the "Enver Hoxha auto-tractor combine in regard to the organization of the production of standard elements, which are used in technological equipment, must be generalized in other machine enterprises, too.

Problems also exist in the field of improvement of scientific information connected with standardization, as well as in the field of using a normalized technical technology which rules out the misunderstanding of terms used for parts, fittings and technological instruments, materials, measurement devices of machines and so forth. For this, a coordination of work is needed between the Institute of Mechanical Studies and Designs and the country's plants, the various organisms of the study-scientific work and the responsible specialized institutions attached to the Academy of Sciences.

The expansion of centralization and of specialization and the expansion of planned cooperation constitute not only a very important factor for increasing labor productivity and for improving the quality and technology of production, but also a necessity for making the required step in the development of the machine building industry.

For years the party has set forth concrete tasks in this field; and, there are results. In this framework, some important studies were carried out and are being carried out in regard to the expansion of centralization and specialization of production in accordance with technological similarity. Thus, among the most important measures executed up to now are, for example, the specialization of agricultural machinery plants in the production of agricultural machines and parts for the needs of agricultural mechanics, and the studies which are being carried out for the centralization of production of leaf springs, of parts and of hydraulic joints, of instruments, of presses, of forms and so forth in some plants which produce for the needs of all the country. Good experience has been gained by the "Enver Hoxha" auto-tractor combine through the creation of centralized lines for the production of some main parts, establishing, through this action, healthy bases for the scientific organization of machine production. Good efforts are being made for the specialization of the production of machines, equipment and spare parts for the mineral industry, organizing the plants and workshops of this department according to conditions, possibilities and requirements.

These measures have influenced the improvement of all technical and economic indicators of production. For example, the group working some parts has made it possible to increase the quantity of production and to reduce the number of pieces of equipment, of instruments and of technological documentation needed, to increase labor productivity and improve the quality of production, to reduce production expenditures and so forth.

However, these experiences are not being disseminated on the required level in all machine industry enterprises; while, in some fields, there are shortcomings and weaknesses, such as, for example, specialization is executed according to projects instead of giving priority to specialization according to technological similarity. Therefore, the party has assigned the task that these issues be handled in a better manner by its organizations, by the government and economic organs in the districts and by the central government departments. The issue is that, first of all, we must strengthen the conviction about the necessity of perfecting centralization and specialisation, in struggle against any manifestation of the artisan spirit and against the pursuit of narrow local and departmental interests which are observed in some cases. If this is not done, it is impossible to combat those cases of expectation, spontaneity, delays, voluntarism and subjectivism observed in the execution of the tasks for the centralization and specialization of production in the machine industry. The leadership cadres of the machine industry, the technological bureaus and the Institute of Mechanical Studies and Designs are asked to provide more extensive studies so that every step in the scientific organization of production will be made in a prudent manner, taking into consideration the fact that it [the step] will serve us today and in the future. In this framework, of great values will be the extension of studies in the field of centralization of production of parts, joints, aggregates, fine mechanics and so forth, in the field of extensive specialization of some plants, workshops and machine bases of the country, in the field of modernization of metal cutting machines and of their utilization in a more intensive manner, in the field of centralization of management of the machine industry and so forth.

The perfection of centralization and specialization of production is inseparable from the perfection of cooperation, especially, in the conditions of the large production, when the building of complicated machines and pieces of eqipment is required. Thus, for example, 20 enterprises of various departments cooperate in the production of self-propelled combines by the agricultural machine plant in Durres. Therefore, the party has continually, especially, in these past years, attached great importance to the perfection of planned cooperation at the level of the entire economy.

For this purpose, measures were taken so that cooperation between machine plants and workshops would be directed, planned and monitored, preventing every manifestation of spontaneity or the setting of arbitrary tasks. Thus, the tasks for cooperation for 1982 are drawn up as a separate item in the production plan, analyzing them in kind and in value. The tasks of cooperation are extended to the production of joints, of parts and of special operations in machine processing and in presses, casting and thermal treatment, utilizing the free capcaities of the machine enterprises in a better manner.

Nevertheless, there still are shortcomings and weaknesses, subjectivism and voluntarism in the organization and fulfillment of cooperative relationships and, consequently, some machines and pieces of equipment were not produced on schedule and with high quality.

From the analyses which have been made, it appears that, in some cases, the machine plnats are assigned improperly specified tasks for the production of machines and pieces of equipment for the projects, with incomplete designs and without drawing up the need for cooperation, because, in regard to cooperation, in the machine industry there exist narrow and artisan conceptions which are manifested, beginning with the planning period by assigning the tasks in a general manner, inaccurate and unjustified in regard to the material base, while, in the execution stage they are manifested in the form of underestimation of the tasks of cooperation, the pursuit of global fulfillment, for the fulfillment of the tasks according to the spirit of departmental favoritism and so forth. There also are cases of lack of harmony between the indicators in value and those in kind.

Scientific and planned cooperation requires that the plan be presented more than 1 year in advance, clearly specified, with complete designs, with the necessary material base and so forth. Without such a scientific planning, the tasks for the building of the specified projects cannot be fulfilled on schedule, in quantity and with good quality, and it is not possible to assure the qualitative step that is required for the development at rapid rates of the machine building indsutry. The shift required to be made in the machine industry, as a condition for the fulfillment of the new, great and qualitative tasks, makes it imperative to take ideological and technical-organizational measures which will improve cooperation in a noticeable manner. In this framework, an irreplaceable role in the conditions of our centralized economy is played by the coordination of the tasks between the government departments, the executive committees of the district people's councils, the enterprise managements and the study and scientific institutions.

The improvement of the quality of production of machines and equipment is one of the most important issues which faces the machine industry today. One of the key issues in this field has been and remains the continual improvement of the technology of production of parts and joints and, especially, the use of new methods in the field of technology of cutting, of pressing, of precise casting, of thermal treatment, of assemblying and so forth.

Of course, dealing with the introduction of new technology or with the improvement of existing ones, is not an easy task. For this, we need studies, designs, comprehensive organizational and technological measures which, certainly present difficulties, but not insurmountable ones.

Practice shows that, where the necessity to introduce new technological methods is correctly understood, difficulties overcome, and people work and produce with studied and documented technology and with complete technological equipment and instruments.

But, these problems are not correctly evaluated everywhere. Thus, for example, while, at the "Enver Hoxha" auto-tractor combine workers used 178 kinds of technological equipment and instruments for the production of engine pistons, workers in the piston line at the UMB [agricultural machine plant] in Korce uses only 14 kinds. Or, while, at the auto-tractor combine workers used 231 kinds of technological equipment and instruments for the small pump in the petroleum pump, those at the machine plant in Stalin City used only 74 kinds. Consequently, the products of the auto-tractor combine are of much better quality than those of some other machine enterprises.

Therefore, life itself shows that production with studied technology and completed with the necessary equipment and instruments, on the basis of a greater work, better organized and with better involvement of all engineering and technical personnel, has become an imperative requirement. The main point is that this issue be correctly conceived and evaluated and, on this basis, the necessary measures be implemented for putting production on improved technological bases; this would result in its increase, an improvement in quality and the saving of many raw materials and other materials. Thus, for example, the centralization of production of bushings at the "Enver Hoxha" auto-tractor combine and its placement on complete technological bases for all varieties brought the increase of production by 1.6 times and the reduction of discards from 15 to 7 percent; it reduced the cycle of new products from 1 year to 2-3 months, reducing the production area by 20 percent, and reduced the nomenclature of equipment and instruments by 80 percent. Such indicators are also guarantees in the production of belts, pistons and so forth.

Based on experience gained, concrete measures are being taken so as to expand the pressing process in the machine plants and workshops, also introducing the precise pressing and by increasing the production of presses and the use of presses; this will bring a considerable increase of the coefficient of the use of metals. The foundry workers are working to perfect the technology of production of cast parts through the introduction of the technology of precision casting. For this purpose, the necessary measures have been taken so that this advanced method, which will bring a qualitative step, will save great material and monetary values, and will be broadly utilized in our machine industry in 1983. Along with this, measures are also being taken for adopting the technology of the production of parts with the use of metal dusts, as a rational method with great economic profit, as well as the lining of parts with strong metals. The experience of the "Enver Hoxha" auto-tractor combine, of the agricultural machine plants in Korce and Durres and of many other plants shows that now all the opportunities exist to produce as much equipment [atrecat] as possible, as the main condition for assuring the quality of production and for introducing electronic monitoring extensively in the measurement of technological parameters and so forth.

The correct solution on scientific bases of these problems requires, among other things, that all study and experimental work of technical bureaus be correctly harmonized and that it solve the key problems in a rational manner. Life shows that the time has come to create a research center in the field of the machine industry.

The entry of the machine industry on the wide road to the production of machines, it was stressed at the Eighth Congress of the Albanian Workers Party, forcefully assigns the necessity to train workers and to develop their creative thought, the necessity to train higher and medium-level cadres for narrow profiles and specific specialities, such as, for example, pressing, thermal treatment, castings and so forth. The improvement of the level of organization and management at the present stage of our machine industry, requires more skilled leadership cadres, trained in special training courses, in order to properly master the necessary knowledge which the great modern production requires.

The results achieved up to now in the production of machines and pieces of equipment demonstrate that our machine industry has all opportunities to fulfill, on schedule and with good quality, the tasks of this 5-year plan, so as to shift into a powerful machine building industry, in order to successfully meet the even greater tasks in the future 5-year plans.

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CSO: 2100/15

TRADE RELATIONS WITH TURKEY EXAMINED

Sofia VUNSHNA TURGOVIYA in Bulgarian No 11, 1982 pp 8-11

[Article by Marin Todorov: "Economic Relations Between the Bulgarian People's Republic and the Republic of Turkey"]

[Text] The growing volume of trade with the other Balkan countries was one of the characteristic features of Bulgarian foreign trade in the 1970s. This process was particularly dynamic in economic relations with Greece and Turkey. It was one more proof of the favorable influence exerted by the principled and consistent Balkan policy pursued by our country, aimed at the increased assertion of peaceful coexistence between countries with different social systems.

The development of economic relations between the NRB [Bulgarian People's Republic] and Turkey exemplifies the stimulating and effective role of good neighborhood in expanding and intensifying economic contacts and the need to strengthen reciprocal trust in implementing economic initiatives of joint interest.

In practical terms commercial relations between the two countries have proceeded uninterruptedly since the end of the 19th century. The beginning of systematic contacts on different levels was laid in the 1960s in the political, cultural and economic areas. Important bilateral documents were signed during that period, marking the beginning of the purposeful development of a legal base for broadening economic cooperation.

The 1970s marked a new favorable development of Bulgarian-Turkish economic relations. They reflected both the process of detente in relations among countries with different social systems on a global scale as well as the development of production forces in both countries on an international basis. The 1974 trade agreement was a major contribution in this respect. It included the application on a reciprocal basis of the most favored country principle and payments in convertible currency, which contributed to the more dynamic development of trade and the broadening of its variety.

State visits on the highest level and the bilateral documents which were signed between 1974 and 1982 created a stable foundation for the expansion and intensification of economic cooperation. The "Coordinated Directions for the Further Development of Economic Cooperation Between Bulgaria and Turkey," adopted in May 1978, were particularly important. They called for joining efforts in specific areas such as power industry, hydraulic construction, agriculture, trade, industrial cooperation and others, with the help of respective measures and projects.

The Mixed Bulgarian-Turkish Committee for Economic and Technical Cooperation, which became functional in 1975, has made a substantial contribution to the progressive development of bilateral economic relations. Its subcommissions on communications, transportation, power industry, agriculture and food industry, scientific and technical cooperation and others have provided additional opportunities for exchanging views, discussing sectorial problems, drafting recommendations for the respective governments and coordinating initiatives of mutual interest.

The data on the dynamics of foreign trade relations between the NRB and Turkey show the specific nature of the pace and directions in the changes which have taken place during the individual years. The resulting impression is one of accelerated but uneven development of basic indicators starting with the mid-1970s.

Index of Trade, Exports and Imports Between the NRB and Turkey in Current Prices Between 1960 and 1970
(1960 = 100)

	Trade	Exports	Imports
1960	100	100	100
1970	215	177	262
1975	1,102	1,496	262
1979	2,438	4,254	614
1980	2,225	3,619	190
1981	2,632	4,085	833

Source: Figures based on "Foreign Trade of the NRB"
KESSI, 1982

The dynamics can be explained in terms of the peculiar combination of several factors. After 1974, as a result of the favorable political conditions which developed and the improve mechanism for trade cooperation, the use of the existing prerequisites for the intensification of economic relations between the NRB and Turkey was accelerated. Our country's stable economic development and the mastery and modernization of a number of export facilities, as well as the steady constructive efforts made to expand economic relations with neighboring countries, largely determined the fast increase in exports. However, some export difficulties which had affected our southern neighbor toward the end of the previous decade limited the opportunity to develop imports at a pace adequate or close to those affecting exports. Let us emphasize that significant potential opportunities exist for importing from Turkey a number of raw materials, semi-finished products and processing industry goods. That is why it would be useful in the future to help to increase imports with a view to gradually balancing trade and ensuring conditions leading to the further development of mutual trade.

The principal reasons for the energizing of trade relations may be divided into several main groups: Turkey offers a large and promising market for many Bulgarian export commodities, industrial machines and equipment above all. Territorial proximity greatly contributes to reducing and optimizing transportation, insurance, communication and other costs, the share of which in commercial deals is rising on a world-wide scale. This proximity also makes it quite easy for Bulgarian exports to react to circumstantial changes in the individual Turkish economic sectors. Under the conditions of the liberalization of Turkish imports starting with the 1980s, the advantages of the local market in terms of foreign exchange and lack of restrictions caused by high customs and nontarif barriers, typical of the markets in most of the developed capitalist countries, increase.

The NRB is also a promising foreign trade partner for Turkey. In addition to the use of all advantages based on territorial proximity, the rich industrial and technological experience of our country in manufacturing a number of goods, its reputation acquired as a result of exports covering a broad range of goods, etc., are important factors. The stable currency possibilities of the Bulgarian organizations are an important guarantee in reducing the risk element in specific deals and increasing the competitiveness of Bulgarian exporters and importers to and from the Turkish market. The accelerated development of modern and technologically updated industrial sectors and the development of long-term specializations within CEMA encourage the desirability of having Bulgaria as a partner in the industrialization of the Turkish economy.

Energy carriers and metals account for the main Bulgarian exports. Deliveries of electric power and commodities requiring relatively extensive processing are of essential significance. A high percentage of the existing prerequisites for intensifying cooperation in the power industry were put to use following the linkage between the electric power systems of the two countries (20 July 1975). This was directly manifested in the steadily growing procurements of electric power, which increased by a factor of 8.3 over the last 5 years alone.

The share of industrial machinery and equipment which could be exported to Turkey remains low and fluctuating in terms of the possibilities of the NRB. They consist mainly of lathes, milling machines and other types of metal-processing machinery and lifting equipment. The number and volume of exported complete systems and technological production lines in the fields of power industry, electrical engineering, the extracting and processing nonferrous metal industries and others has increased in recent years. In most cases such deliveries are based on industrial cooperation contracts. The expected improvement of Turkey's economic situation and as a result of the implementation of a broad governmental investment program through 1985 will create favorable prerequisites for increasing Bulgarian exports of machines and equipment and for gaining a firm market foothold based on high-quality machine-building goods.

Chemicals, calcinated soda and chemical fertilizers in particular, are of essential importance in Bulgarian exports.

The structure of commodities imported from Turkey has been the subject of annual fluctuations. Most of them consist of mineral raw materials, such as boracite ore, zinc and lead concentrate, etc. Foodstuff imports have developed on a relatively stable basis in recent years in terms of absolute volumes. They consist mainly of traditionally exported citrus fruits (oranges, lemons, tangerines, grapefruit, etc). In recent years agricultural raw materials for industrial processing, mainly cotton and some others, have accounted for a substantial percentage of total imports from Turkey. Other more important items have included tanning goods within the group of chemicals, and leather overcoats and haberdashery in the consumer goods group.

The relatively limited variety of imports indicates that the possibilities of increasing and expanding them have still not been maximalized. The growth and stabilization of imports of mineral and agricultural raw materials from Turkey will be of great importance.

The increased share of mutual trade in the foreign trade of each of the two countries, broadening the variety of the commodity structure and the increasing use of modern methods are among the basic reasons for considering the period after 1974 a breakthrough in the expansion and intensification of trade and economic cooperation between the two neighboring Balkan countries. A direct manifestation of the reciprocal interest expressed in its future development is the joint coomunique on the visit of the Turkish head of state General Kenan Evren to the NRB in February 1982, which states that "The two statesmen reviewed the possibilities of expanding bilateral cooperation in the fields of industrialization, transportation, power industry and agriculture. They expressed the wish that the volume of bilateral trade be increased."[1]

The increasing use of industrial cooperation is one of the most important changes in current Bulgarian-Turkish economic relations. Results indicate that positive experience has been gained in terms of closer production and commercial coordination of economic potentials and prospective long-term combination of the partners' interests. The use of virtually all forms known in world practice in the field of cooperation (actual or planned) is a manifestation of the level of maturity which has been reached. At the same time, the initiatives which were implemented not only do not exhaust potential possibilities but still fail to cover all lines and activities stipulated in the concluded agreements between the two countries.

Bulgarian-made lathes, drills and cutting tools have been jointly assembled by the two countries in Turkey since 1974. Talks are under way on mastering the production of lathes of the "Khemus" series. A similar method is being applied in assembling fork lift trucks and gas operated lift trucks.

The first complete project built by the NRB in Turkey -- a flotation factory for copper ore in Usak -- is scheduled for completion in 1982. The contract which was concluded for leasing the equipment stipulates that payments will be in goods produced with the help of the newly installed capacities. In recent years equipment has been delivered and technical aid provided in the development of marble and travertine deposits on the basis of similar conditions. Such activities have been rated highly by Turkish business circles. Possibilities of creating a mixed Bulgarian-Turkish stockholding company for marble extraction, processing and marketing are under discussion.

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[1] RABOTNICHESKO DELO, 28 March 1982, p 1.

Cooperation with several Turkish companies in the extraction, concentration and marketing of copper, zinc and lead deposits has reached the stage of advanced studies. The increased interest in this area is based on the existence of some still undeveloped deposits with high metal content in Turkey.

Substantial prerequisites for industrial cooperation may be found in power industry as well. The mixed commission is discussing possibilities of cooperating in the production of lignite briquettes, the construction of low- and medium-power hydroelectric power stations and others, with partial or complete surveying, planning and building by Bulgaria.

Foundations for production cooperation in agriculture and the food industry were laid during the last decade. Several bilateral agreements concluded on the governmental and departmental levels outline immediate possibilities covering not only important subsectors and production lines (animal husbandry, timber processing, fishing, the dairy and canning industries, etc.) but in the use of a variety of forms of industrial cooperation, which would optimally combine the economic interests of the partners in each separate case.

Increasing attention is being paid to opportunities for commercial cooperation on third market in particular. Some coordination is being contemplated in forecasting and marketing activities and the broadening of re-exporting and other specific operations.

The mechanism of information and study work must be improved and more active efforts must be made in the implementation of plans adopted on an inter-state level and a flexible and far-sighed use must be made of the new opportunities which appear in this area in order to resolve the problems and difficulties encountered in the plans for industrial cooperation with Turkish companies. Turkey has a relatively favorable investment climate and legislation which encourages foreign capital investments on an equal footing. Thus, for example, Article 10 of the Turkish law on encouraging foreign investments stipulates that "The benefits stemming from the rights, immunities and facilities enjoyed by local capital and enterprises apply on the basis of reciprocity to foreign capital and enterprises operating in identical sectors."

One of the important characteristics of industrial cooperation between the NRB and Turkey, unlike traditional "East-West" cooperation, is the fact that the Bulgarian participants act as suppliers of modern machinery, equipment and complete projects, licenses, technologies and know-how and usually receive in exchange goods produced with the newly installed capacities. This position held by the Bulgarian economic organizations in production cooperation with Turkish companies enables us to use on the basis of mutually advantageous conditions the achievements of intellectual efforts and scienti- and technical progress and the output of strategic export production facilities in accordance with the stipulations of the 12th BCP Congress. Another important yardstick in determining the level of Bulgarian-Turkish production cooperation is the fact that it enables us to lay a promising long-term and stable base for supplies of important raw materials and semi-finished goods.

In the present condition of economic relations between the NRB and Turkey, industrial cooperation appears as an exceptionally important factor in the further development of economic cooperation between the two countries by energizing long-term mutually profitable trends.

Despite the positive results achieved in the development of foreign trade, industrial cooperation and other forms of foreign economic relations, we must take into consideration that the existing prerequisites for economic cooperation are still not being used fully. This was emphasized in the speech delivered by Comrade Todor Zhivkov, BCP Central Committee general secretary and NRB State Council chairman, on the occasion of the visit of General Kenan Evren, the Turkish head of state, in February 1982. He said that "In our view, the possibilities of broadening and intensifying bilateral Bulgarian-Turkish relations in the various areas are far from exhausted. Without plunging into details, let me say that economic relations, for example, should reach a level consistent with the true potential of our economies and the advantages stemming from the direct geographic proximity and the central location occupied by our countries bridging three continents."[2]

The timely resolution of existing basic problems with the help of balancing and increasing the variety of goods traded, the expansion and intensification of industrial cooperation in accordance with intergovernmental accords, active development of scientific and technical cooperation and improving the monetary-credit and payment mechanisms are necessary prerequisites for the further development of Bulgarian-Turkish economic relations.

Together with mastering the objectively existing economic prerequisites, it will be necessary to energize and use joint task agencies with a view to stimulating and coordinating efforts aimed at enriching cooperation.

In accordance with the accelerated development of economic relations, the established contractual-legal base will require periodical updating and improvement. It must be used for the development of a specific favorable regimen for the intensification of economic relations so that it could meet growing requirements even better. This can be achieved through the use of some new and still untested methods, such as trade at border points, limited contracts among larger enterprises and organizations, joint construction of major projects in industry and agriculture, development of an infrastructure of mutual interest, and others.

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[2] RABOTNICHESKO DELO 26 February 1982, p 2

The principle-minded, consistent and constructive foreign policy pursued by the NRB with a view to strengthening good neighborhood and reciprocal trust in relations among Balkan countries, both now and in the future, is a positive contribution to the expansion and intensification of mutually profitable economic relations between the NRB and the Republic of Turkey.

5003
CSO: 2200/37

PROSPECTS OF HUNGARIAN ENERGETICS VIEWED

Budapest MAGYAR TUDOMANY in Hungarian Nos 8-9, Aug-Sep 82 pp 584-590

[Article by Gyorgy Vajda: "The Prospects of Hungarian Energetics"]

[Text] We read and hear a great deal about the situation, problems and tasks of our energy supply not only in professional journals but also in the mass media. Today practically everyone senses that it is one of the most critical problems of our economy, but not even in professional circles is it generally recognized that the solutions depend not primarily on technical but on economic conditions. Energetics can offer many kinds of alternatives for the methods and character of our energy supply, for influencing energy consumption, but whether these can be realized or not depends on the extent to which they help ease those serious economic tensions which are caused by the meeting of energy demands.

1. Energy supply ties down an increasing ratio of investment resources. The share of investments for the production, centralized transformation, and long-distance delivery of energy sources (coal mining, oil and gas industry, electric energy industry, and heating utilities) made up 25 percent of industrial investments in the Fourth Five-Year Plan period, and the same rate of development would require 35 percent in the present Sixth Five-Year Plan. The major causes for this shift, which is a worldwide phenomenon are the following:

--Energy sources with less favorable features are also being produced. Mineral sources are being produced from deposits that are situated more deeply and at less favorable sites, and the production of energy sources with lower value is also becoming necessary (lower calorific value, lower uranium concentration, and so forth).

--The energy basis of the extremely investment-intensive costs of coal-fired power plants exceed by about 40 percent the costs of oil-fired power plants, and those of nuclear power plants are about 40 percent higher than those of coal-fired power plants. The cost of establishing water power plants is for the most part even higher.

--The conduit methods (electric energy, gas, heating utility) are developing more rapidly than average; these plants which produce secondary energy sources and the delivery networks are very investment intensive.

--Growing environmental protection requirements (reduction of emissions into the atmosphere, the treatment of fresh waters, the handling and depositing of waste, and so forth) are significantly increasing the costs of energetics investments. The increase in the demand for social, infrastructural and other accessory investments linked to energetics investments accompanies the rise in living standards.

The ratio of energetics investments in the case of consumers is difficult to estimate, but it shows a rising trend. A change in energy structure, energy rationalization, and efficiency improvement are accompanied for the most part by accessory investment costs.

The shift in investment ratios is evoking a new balance situation in which the rate of increase in energy consumption is considerably less than it was. This can be only partially countered by the improvement in the efficiency of energy consumption, and thus it is also necessary to the development rate of the economy.

2. The provision of the energy supply represents an important burden on foreign trade. We provide about one-half of our primary energy requirements from imports. This is about 15 percent of our total imports in value, the largest entry consisting of petroleum and petroleum products imports; natural gas and electric energy represent a large volume, and the solid energy sources (coke, quality coals, briquet) are not negligible. Most of the imports come from the Soviet Union, some we obtain from other socialist countries, but we also have capitalist imports (for example, coke). From the security of supply point of view, it is of great importance that the deliveries from the socialist countries are made on the basis of long-term international contracts. But there are foreign trade balance problems also in socialist relations, the most important of which are the following:

--Because of the price increases, the cost of energy imports represents an increasing ratio in imports by economy. As a consequence of the CEMA price principle (the price is the average of the world market prices for the past 5 years) the world market prices are implemented even though in a delayed manner. This is one of the most important causes for the deterioration in our terms of trade in the socialist trade relation. The increase in Soviet export prices for energy is not only a consequence of the cycle but also reflects the actual development of prime costs. The center of hydrocarbon production is being shifted more and more to distant areas in Sibera, and the new sites are characterized by very unfavorable geological and meteorological conditions, as well as by the absence of infrastructural facilities. Most of the new large coal fields are to be found in Central Asia, and the delivery of the energy westward either as coal or coal derivatives or in the form of electric energy is burdened by very significant accessory costs. In the European areas of the Soviet Union the new, large power works will be nuclear powered.

--In socialist trade relations, too, energy sources have become the hardest commodity items. On one hand the expansion of their import has technical limits, for example the pace of nuclear power plant construction in the European area of the Soviet Union, the limited capacity of the energy delivery networks, and so forth. On the other hand, the provision of the counter-value is also becoming more difficult; with the growth in recent years of petroleum and petroleum product imports, program agreements (konstruckcios megallapodasok) have been emphasized which tie the counter-value to products that are competitive on all markets (something which reduces the commodity base of our capitalist exports). The condition for an increase in electric energy and natural gas imports is the investment contribution to the establishment of the power plant and network, that is, the conduits. Even under conditions like these, socialist imports are advantageous, but cannot always be had, and then we are forced to take capitalist imports (for example, coke, and periodically oil products).

Under these conditions it is a serious interest of ours not to increase oil imports, if possible, in the socialist relations, and strongly reduce capitalist imports. This calls for a preference on behalf of domestic energy sources and the modification of the structure of energy consumption at the expense of hydrocarbons, primarily petroleum derivatives.

3. The rise in energy prices affects all areas of the economy unfavorably. The high price level promises to be longlasting, and the forecasts signal a progressive rise in the rate of inflation for the world market price of petroleum over the long term. (Because of the decline in consumption, the market price has dropped recently, but experts regard this only as a temporary phenomenon of the world economic recession.) The rise in petroleum prices draws in its wake, to varying degrees, a rise also in the prices of other energy sources. This, too, has a manifold effect on our own situation, of which we shall mention a few here:

--The rise in production costs speeds up inflation, and reduces efficiency and the competitiveness of our products. On the average, energy costs make up 16 to 17 percent of production costs, but the averages for individual branches of industry are widely spread. In some parts of the processing industry this comes to only several percent, but in technologies for the manufacture of certain basic materials it comes to one-third or one-half of the costs. This is characteristic of the varying sensitivity of certain industrial branches and their reaction readiness to energy prices. It should be noted that in the processed materials, producer equipment, and in delivery and other services, energy costs mediated in embodied services which the enterprises are aware of only by transposition may constitute a multiple of direct energy costs.

--The higher energy prices and the rise in the prices of other products ties down a greater ratio of the population's buying power, and thus these reduce living standards. The population spends about 7 percent of its income on energy sources, of which only one-third is for the operation of private automobiles. The price increase is an incentive for energy savings, but according to experiences a part of the savings is only of a temporary nature since sensitivity is slight.

--In the domestic price and schedules of most energy sources, various subsidies are latent, which distorts the value judgement and attitude formation of the consumers. The consistent elimination of this may become the source of sociopolitical problems (district heating, mass transportation, electric energy supply, and so forth).

Enterprises which consume a relatively small amount of energy are less interested in the rationalization of energy consumption. They regularly receive less profits if they devote their resources to other goals (production expansion, quality improvement, the reduction of greater costs, and so forth).

We must seek solutions which promote an easing of the above-mentioned tensions. Beyond these, it is necessary to take into account numerous other mutual effects, thus for example, the possibilities of machine industry support, the viewpoints of environmental protection, security of supply, and so forth.

4. One of the key questions of our long-range planning is the forecast of energy demands. This depends primarily on developments in national income, but a very close relationship does not exist between energy consumption and the growth rate of national income. The same national income can be achieved with very different kinds of production structures, the energy demand can be reduced if we succeed in intensifying less energy-intensive production at the cost of energy-intensive products. (For example, as compared with Hungary, Finland produces one unit of national income with one-half the energy consumption, and Austria, the Netherlands and Denmark with one-third. There are also significant possibilities for reducing the specific energy consumption of existing technologies. The manner of using the national income also influences the development of energy demands, for example, by way of the nature of investments, the rate of housing construction, and the extent of modernization. In the preparation of economic plans the situation of the world economy causes a great deal of uncertainty in judging the expected development of the world economic situation and our internal resources. This makes the planning of energetics much more difficult since the creation of the more important energy sources must be started many years before being put into operation. The running-in time of investments for large energetics facilities (coal mines, hydrocarbon fields, power plants, oil refineries) is 6 to 10 years, and thus the decision to establish these--considering the preparatory work--must be made about a decade before they are to be put into operation. If we overestimate the expected energy demands, these investments will unjustifiably tie down very important economic resources, while if we underestimate the rate of development an energy shortage will restrict economic development.

It is favorable for the economy that total energy consumption has been stagnating for 3 years, partly in response to measures taken to stimulate energy savings and part[illegible] a consequence of a reduction in the production of certain energy-inter[illegible]-branches. But we cannot permanently assume such a stagnation under [illegible]ons of expanded reproduction. In the condition system which is presently regarded as realistic, we are envisaging for the coming two decades a very moderate growth rate (1 to 2 percent annually) in the total energy demands of the economy. Within this, the consumption of certain energy sources (coal, natural gas, and electric energy) will increase dynamically, and that of others will stagnate or decline. These forecasts are supported by manifold and detailed estimates on the expected development of production, population, and communal services. Because of the above-mentioned uncertainties we must work out strategic alternatives for the energy supply which will make it possible to adjust to demands that are different from what had been assumed.

Even such a moderate pace of development in the energy supply will require serious efforts and economic outlays. The energy sources can be assured, in this aspect the supply is not in danger, if we start the necessary investments in time. It is worthwhile to review the situation in the area of the most important energy sources.

Paradoxically, one of our most important sources is unused energy, that is, energy savings. According to detailed studies, at least 10 to 15 percent of our present energy consumption is unjustified. (As measured by the most modern technical level, the possibilities for savings are considerably greater, but this goes beyond domestic realities.) A considerable part of this can be saved simply by changing human attitudes, raising the sense of responsibility, creating material incentives, or by way of administrative measures (by eliminating overheating of premises, unnecessary operation of equipment, by limiting the speed of vehicles, by spatial and temporal arrangements for the reduction of losses, maintenance and proper operation of energy-consuming equipment, and so forth). Another group of unjustified losses we can eliminate only if we transform equipment or technolgoies for which investments are necessary. According to experience, considerably less investment is needed in most cases to save a unit of energy consumption than is necessary for an expansion to the same extent of energy sources, and thus at the economic level, this unconditionally a savings at the enterprise level, unfortunately, it is not economic given the present price and regulation system conditions.)

The economy has an extremely great interest in energy savings, on one hand because from savings we can cover without new energetics facilities the energy consumption increment; and on the other hand, it constributes to easing all the above-mentioned basic tensions (investment, foreign trade, efficiency). This is the only way by which we can rapidly and efficiently realize our energy policy goals. To promote this, a detailed government program has been conceived, which contains many concrete measures including the necessary means and financial support. A role is played in it by the modification of technologies (for example, iron metallurgy, construction industry, and agriculture), the improvement of heating systems, rationalization of transportation, the reduction of specific fuel consumption, and many other tasks. We must point out, however, that energy savings is not only a state job but must become the personal cause of every citizen, for all of us can do a great deal in this both as participants in production and as consumers. In this respect there are no small matters, for the adding up of energy savings in many millions of instances will become nationally important.

Unfortunately, the economic possibilities of energy savings are finite, and their consistent exploitation will provide a way only for the cover of several years of increment. Thus over the long term the expansion of our energy sources is unavoidable. The related decisions are of great importance because the basic energetics facilities, according to their life span extending over a number of decades, will conserve the energy structure for a long time. Thus we must make decisions which will prove to be economic and purposeful also after a number of decades. This is not at all an easy task, there are many things that may change the conditions system that can be taken into account at present; it is enough to point to the uncertainty of future developments in energy prices, the fast pace of technical development, and the great intensity of research work being conducted in the field of energetics throughout the world. Therefore, realistic economic and scientific prognoses must be given a great role in establishing the basis of decisions.

At present we meet 35 percent of our energy requirements on a petroleum basis. Oil prices and acquisition difficulties make the reduction of this ratio a task of the first order. Significant progress has been made in the past 3 years (in 1978 the share of oil was 40 percent) but we must make further reductions in the coming years. We must use petroleum products primarily where they cannot be replaced by other energy types (basic chemical material for motor drive) and in the field of heating development and electric energy production, we must gradually convert to another energy base. This structural change, of course, is a long process burdened with many compromises, for conversion has technological, energetics, equipment manufacturing, and not least of all economic conditions. For the sake of more rational utilization we must also modify the technology of petroleum refining. To measure the ratio of the fractions that represent motor-driven materials and to reduce the heavier distillates that can be used chiefly for heat development, we must supplement the petroleum refineries with cracking equipment works, and we must introduce other procedures that break down the large hydrocarbon molecules to smaller ones. There are many ideas for replacing motor-driven petroleum distillates (methanol from coal, alcohols, or other from biomass, electric automobiles, hydrogen plants, and so forth) but the development of economically competitive alternatives will require a great deal of research, and thus in this century we cannot count on gasoline and diesel fuel to be forced into the background.

Only 20 percent of our petroleum production is met by domestic production. According to geological indications, maintenance of the present production level will become more and more difficult. Therefore, it is very important to develop and introduce "secondary" or "tertiary" production procedures which increase layer pressure or improve stream relations, because in this way it becomes possible to bring to the surface a greater share of the resource. Under these conditions, petroleum will remain the most important component of our energy imports and we must consistently carry out our energy policy goals (energy rationalization, change of energy basis, and so forth) in order that in the coming decade or two we will not be constrained to increase the import base.

In respect to natural gas the situation is more favorable; it make up 27 percent of our present energy balance, of which two-thirds comes from domestic fields. Our natural gas resources make it possible for us to maintain the present production level, and indeed perhaps to increase it to a small extent. The import conditions are more favorable, and an increase is conceivable with the building of international gas networks. In recent years, gas consumption has increased dynamically, and where the use of hydrocarbons is unavoidable for heating development, we are trying to replace oil products with gas. The relative stability of the natural gas supply, however, does not mean that we can use this resource in an unlimited way since prices follow, although with delay, the rise in petroleum prices. We can use natural gas most advantageously in households and chemical factories, and as firing fuels for combustion products in delicate industrial technologies. At present, we are also using a great deal of natural gas for the production of electric energy, a large part in a floating system, which means a balancing of the differences between even gas production and strongly variable seasonable consumption. We have begun to build seasonal storages in exhausted gas fields and thus we can more effectively use gas produced in summer in the winter peak periods. Piped gas service cannot be expanded in an unlimited way for economic reasons, and thus bottled propane-butane gas has an important role in outlying settlements. These fractions can be obtained in petroleum refining and from natural gas. The available volume is used by provincial households, and thus there is none left for other purposes, for example, fuel for automobile driving.

We meet 29 percent of our primary energy consumption with coal. In this field we are capable of creating self-sufficiency; with present production our coal resources can provide the base for considerably more. At present, we are importing certain quality coal varieties and coal derivatives (coke and briquet) but with appropriate development we have the possibility of replacing these. Although in respect to use value (calorific value, cokeability, and so forth) and mining conditions, our domestic deposits do not belong among the best, world economic changes have significantly upgraded their value. Thus we are justified in raising our domestic coal production next year, but the extent is limited by the possibilities of consumption. Environmental problems (fume decontamination and the depositing of combustion products), a greater demand for manpower (manipulation, maintenance of equipment, and fuel storage problems prevail at the large consumers, given the present technology, and thus the main consumers of coal are the power plants, the large industrial boiler plants, the heating power and the coking plants, although the consumption of coal by the population is not insignificant. To expand the circle of consumers, intensive research-development work is underway, among other things to increase the use value of coal products, develop new heating technologies, and reduce environmental pollution. In the longer term, coal gasification will also come into account which will provide a gas-type fuel that does not pollute the environment and can be easily handled. To increase the competitiveness of coal, it is no less important to improve its production technology and to increase productivity, in which great progress has been made in recent years (surface mining, plant size increase, mechanization, automation, protection against elemental dangers, and so forth).

The utilization of nuclear energy will begin in the near future in Hungary. Domestic uranium deposits afford an adjustment base for this purpose, but we can solve the problems of exploiting nuclear energy only through international cooperation. Most of the phases of the fuel cycle (enrichment, heating element manufacture, reprocessing) are very investment intensive, and thus economical only on large scale, and great deal of energy is necessary for enrichment. There are many large-scale, special kinds of equipment in nuclear power plants which exceed the possibilities of domestic metallurgy and machine manufacture. Therefore in the framework of the CEMA integration program, we have specialized in those areas of nuclear equipment which are best suited to the domestic production structure and manufacturing possibilities. The conquest of this very complex and demanding technology is also a function of international cooperation. Domestic research-development activity has an important role in this. The Paks Nuclear Power Plant will provide one-fourth of our electric energy needs by the end of the 1980's.

At present, other energy sources do not play an important role in the country's energy balance. Although even in the more distant future we shall be unable to base our energy supply on nonconventional and renewable energy forms, it is still worthwhile to consider several types because they may contribute to easing energy problems. Even in international perspective, we are exploiting our favorable geothermal endownments in agricultural facilities and housing settlements heated with thermal waters, and it is worthwhile to expand and develop this line of activity. At present, we are using biomass only in the form of firewood; biogas manufacture and the burning of certain waste can be developed into a regional and accessory source of energy that is economical, and we are envisaging this in our plans. The manufacture of more valuable fuels, for example, motor fuels, does not seem to be an attractive prospect for the time being either economically or because of specific energy consumption. It appears that some new chemical and technological processes need to be found to make this feesible. Our hydro-energetic potential is not significant, but waterpower works may contribute to meeting electric energy needs. The meeting of low temperature functions (water-heating, accessory heating, drying, and so forth) with solar energy has been solved, and is becoming economic in certain areas. Because of the seasonal distribution of insolation, however, this can have only a limited role in our country. In the more distant future, photo-electric transformation may also come to the forefront, primarily as an autonomous source of current. It must be emphasized, however, that within the foreseeable future the renewable energy sources will not replace the basic role of the fossil-mineral energy sources, and the expectation for "soft" and "inexhaustible" energy sources are unfounded both in respect to realistic energy potential and in economy.

In summarizing the perspectives of energy supply, the presently available energy sources and facilities being built will provide the country's energy in this decade. It is true that we import about one-half of our energy requirements, but in this respect our long-term international agreements and flexible foreign trade afford adequate guarantees. Nor do we have to fear an energy shortage in the coming decades, for we have available many supply ideas, and we need only make decisions in adequate time. But we must reckon with the fact that the solutions do not point in the direction of declining energy costs.

6691
CSO: 2500/99

TRADE WITH OPEC COUNTRIES DISCUSSED

Impact of Measures

Warsaw HANDEL ZAGRANICZNY in Polish No 9, 1982 pp 27-29

[Article by K J Ners and A Wrebiak based on materials from a scientific conference organized in July 1982 by the Institute of the Economies of Developing Countries of the Main School of Planning and Statistics [SGPiS] in Warsaw: "OPEC Countries; Opportunities for and Barriers to Development" in which the following speakers participated: Dr A Wziatek-Kubiak, Dr M Szostak and Dr B Buczynska]

[Text] The time that has elasped since the more than fivefold jump in crude oil prices toward the close of 1973 permits a more considered discussion of the effects of that increase as expressed in:

--its impact on structural changes in the world economy,

--its repercussions for Polish international trade with Third World countries.

An assessment of the effects of the increase in crude oil prices may be done on two levels. First, it is necessary to find out what their effects were on the entire world economy and on its particular fields: industry, agriculture, international trade, transport and finance. Second, it is necessary to evaluate changes in the position of the particular groups of countries in the world economy that came about as a consequence of crude oil price increases and the ways in which the various groups of countries responded to the changed circumstances.

The most noticeable changes are those that came about in the assortment of goods and the directions of world trade. Price increases gave crude oil a larger share in world trade--doubled in the course of the 1970's (to almost 13 percent in 1979). Calculated in constant prices, however, crude oil's share dropped from 5.1 percent in 1973 to 3.4 percent in 1979. This means that the volume of crude oil turnover declined in conjunction with a very significant increase in its value. As a result, the OPEC countries' position in international trade was strengthened, thus strengthening the position of the entire Third World group (despite the decline in the share of nonoil-producing countries). The OPEC countries' export position was much higher than their import position in world trade. This meant that the OPEC countries experienced a swelling favorable trade balance that, in itself, was one of the most fundamental effects of crude oil price increases. The enlarged financial capability of the OPEC countries increased the importance of the group as a market for the developed capitalist countries.

Crude oil price increases caused fundamental changes in the world production structure. The increased profitability of crude oil extraction caused many countries to begin exploration and exploration of their own deposits (Great Britain, Mexico and Norway). The high price of crude also explains the shrinking tendency to use oil directly for energy purposes (45.7 percent consumption by primary energy carriers in 1979 and 43.6 percent in 1980). At the same time, crude oil continues to be a basic source of energy, and there is a concurrent growth of its role as a raw materials in the petrochemical industry.

Between 1976 and 1980, the growth in petrochemical industrial production capacity in the OPEC countries determined the growth of world crude oil refining capacity. As a result of the implementation of investment in the petrochemical industry in the oil-producing countries, OPEC is gradually being transformed into the world petrochemical center.

Changes in crude oil prices have brought about a reevaluation of certain former directions of technical progress. Fundamental changes have occurred in the electromachine industry and in means of transport. There is an observable development in technologies that are energy-conserving or based on alternative energy sources. Long-range effects of these tendencies are difficult to determine at this point. Another indication of the ongoing process of accommodating the world economy to the new, high prices of energy is the character of changes in the industrial production assortment structure and in the decline of energy-intensive growth of national income in the developed capitalist countries.

In agriculture, oil price increases showed up, above all, in increased production costs as a result of more expensive chemical fertilizers and fuel costs. This led to a worsening of the world food situation.

In the field of finance, OPEC's favorable trade balance caused fundamental shifts in the direction of the flow of capital. From 1974 to 1980, total current trade surplus of the OPEC countries amounted to $322.9 billion. For the long term, the "specific gravity" of the OPEC countries resulted not only from the increase in export income in those countries, but also from the fact that payments increases were concentrated in five countries with low absoprtive capacity. Simultaneously, the indebtedness of the eight OPEC countries without trade surpluses increased from $16.4 billion in 1973 to $46.2 billion in 1978. From an almost 10-year perspective, it can be said that world capital markets succeeded in managing petrodollar surpluses. Eighty-five percent of foreign investments by OPEC countries were in the form of financial investments that prevented their rather simple reinjection into world capital flow.

OPEC financial surpluses also aided Third World development. The oil-producing countries became the second source of capital, next only to the OECD. OPEC help for development was given under more favorable terms than those granted by the developed capitalist countries. Its impact was limited by the fact that the help was strongly concentrated in a small group of countries.

The increase in crude oil prices circumscribed also the operating conditions of the particular organizational units involved in international economic relations, i.e., the states, firms and organizations that adapted themselves to the new situation to varying degrees and at various tempos.* It became clear that the higher the level of socioeconomic development, the stronger the short-range effect of changes in crude prices, and the stronger too the ability to counteract the high prices over the long haul. The increase in oil prices hit hardest in nonoil-producing, developing countries and, especially, in so-called newly-industrialized countries.

The socialist countries showed a relatively weak capacity for accommodating themselves to the new price situation. The delay in putting price increases into effect under the terms of the system of creeping prices in effect in the CEMA framework accounts somewhat for our weak response in accommodating ourselves to the new situation on the oil market.

The OPEC countries continue to be an integral, if specific part of the group of developing countries, even though their collective incomes from oil export reached about $1 trillion 150 billion from 1974 to 1980. Despite a very high per capita GNP level ($17,000 for Kuwait, for example, and nearly $17,000 for Qatar), these countries are still characterized by a low level of production, unbalanced, unintegrated and retarded economic structure and retarded social relations.

At the beginning of the 1980's, a certain worsening of the economic situation came to light in this group of states. Despite a swift increase in oil prices (OPEC export income more than doubled for the period 1978 to 1980, i.e., it went from $145 billion to $305 billion in 1980), the foreign currency surpluses of those countries weakened. In 1980, the balance sheet balance of current accounts reached the $114 billion dollar level, but it fell the next year to $85 billion, and the estimate for 1982 is $61 billion. This is the result, on the one hand, of increased foreign currency outlays (the higher prices of imported articles and the large scale of purchases), and on the other hand, of growing difficulties in selling oil at very high prices (the OPEC share of world oil production fell from 47.7 percent in 1979 to 43.8 percent in 1980 and 39.4 percent in 1981).

The presentation of facts about effects abroad of the increase in oil prices upon the world economy should constitute a basis for defining the strategy of Poland for trade with the OPEC countries.

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*The reduction in energy consumption per unit of national income is generally taken as a basic measure of the level of an economy's adaptation to high energy prices.

The growth of export income in the 1970's enabled the OPEC countries to increase their share of world trade on both the export and import sides. They also occupy a high position in the Polish foreign trade area: in 1980, 7 member countries of OPEC accounted for more than half of the trade turnovers of 17 principal trading partners among the developing countries. In the 1970-1980 decade, an average of 35 percent of Polish trade with the Third World involved the OPEC countries. The most important trade in this regard is with the four following oil-producing countries: Iraq, Iran, Libya and Nigeria.

From developing countries, Poland imports predominantly fuels, raw materials, agricultural goods and food. The import of fuels increased especially rapidly: in 1975, Polish imports of fuels from underdeveloped countries accounted for 9 percent of total imports from those countries; in 1979, nearly 34 percent; and in 1981, about 42 percent. Iraq, Libya and Iran were the biggest exporters of oil to Poland. Oil imports swallowed up in its entirety the trade advantage that Poland had formerly enjoyed with respect to the OPEC countries. The 1980 value of our exports to OPEC countries amounted to 1.8 billion foreign-exchange zlotys, and the amount of our imports from OPEC was 2.2 billion foreign-exchange zlotys. Stopping our imports of oil in 1981 resulted in a trade surplus in our dealings with the oil-producing countries amounting to 1.4 billion foreign-exchange zlotys. The main consignees for Polish export are Libya, Iraq, Iran, Algeria and Nigeria. In contrast, Polish trade with Saudi Arabia, the United Arab Emirates (UAE) Qatar and Kuwait is relatively small-scale (less than 100 million foreign-exchange zlotys). Similarly, Indonesia and Venezuela, the most distant oil-producing countries, are relatively unimportant for our trade.

To an important degree, our export to the OPEC countries of a particular assortment of goods (machines and equipment, means of transportation and other manufactured articles) provides us with a favorable export structure for dealing with the developing countries. A distinguishing feature of economic relations with Libya, Iraq and Iran is our furnishing of a wide range of building and installation services that make it possible for us to maintain a rapid rate of increase in the export of machinery and equipment. These services (which we are also providing in Kuwait and the UAE include the construction of an economic infrastructure, factories and production plants. In our trade with Libya, this sort of export accounts for a particularly large share (more than 80 percent of the total). Polish foreign trade enterprises are involved in rebuilding agricultural economies, animal husbandry models, roadbuilding, electrical substations and installations and constructing cement plants. Beyond that, Poland is involved in surveying and mapmaking.

Recent political events interrupted economic cooperation and exchange with Iraq and Iran, but they will be continued surely, just the same. The wide assortment of Polish exports to Algeria includes construction and installation services, construction machinery and tools, as well as telecommunications equipment and a large quantity of bulk goods, sugar and lumber. Trade relations with Nigeria grew very fast after 1977. Between 1977 and 1979, Poland supplied chemical products, machinery and mining equipment, and began cooperating in the shipbuilding industry and food-agriculutural and energy industries.

Worsening conditions of competition in the world market mean that the maintenance of the growth rate of export in OPEC markets will be directly dependent on the quality of goods and the intensity of promotional policy.

An especially interesting area, with potentially favorable prospects, is involvement in the development of small-scale local industry which, in the case of Algiera, for example, is a subject of particular importance to the government. Poland stands a very good chance of providing this market with less complex equipment and technology meeting the needs of the local work forces. Similarly, our country has important capabilities and a developed base in the area of teaching and training cadres, workers and technicians from developing countries.

The export of industrial products may follow exports of capital goods and construction and installation services. It seems particularly essential to maintain a strong position in the export of services, something that the serious lack of native cadres in the OPEC countries makes likely. In the near future the human factor will play a very vital role in economic contacts with the OPEC countries. Construction and installation work, geological and cartographical services, urban planning and planning will be very important in Polish export.

Concrete opportunities exist for broadening our cooperation in the area of maritime management (export of ships, construction of fishing stations, reconstruction of ports, training of cadres and the like). Similarly, in the agricultural area, there are immense possibilities for increasing Polish participation (agriculture in these countries is in need of making serious investments). A factor limiting Polish export capability in the current financial situation of the country is the necessity of carrying on an active credit policy, particularly in the area of capital goods export. Limitations on our credit capabilities with regard to the OPEC countries were narrower in scope than in the case of exports to the other developing countries. However, the economic difficulties experienced lately by our oil-producing partners indicate that we ought to be very careful in evaluating future extensions of credit to them for our exports. Out of consideration for financial difficulties, Poland will seek to undertake forms of cooperation that do not involve essential capital outlays. At the same time, we ought to maintain other forms of cooperation, such as joint ventures or exports of technology in exchange for products obtained as a result of its application. A solution for ensuring the maintenance of the scope thus far attained by Polish investment export can be found in the utilization of foreign credit sources, meaning that we can act as subcontractors or subproducers to the major producer of an investment who will guarantee the indispensable credit.

Two basic factors will decide the future of economic cooperation with the OPEC countries: the effects of the crisis experienced by our country and the related limitation of export supply as well as import capabilities and competitive conditions on the markets of the oil-producing countries. The economic difficulties recently experienced by those countries--the relative drop in crude oil income and a consequent limitation of financial capabilities--do not alter the fact that the OPEC countries are and will remain the most receptive outlet among developing countries.

Therefore, Poland ought to devote a lot of attention to working out an active strategy of cooperation with the countries in the oil group. That strategy must stem from the nature of the Polish economy and the specialized capabilities it has attained. The specialized nature of the Polish economy in relation to the OPEC countries and to the entire Third World must be considered as a part of its specialization in relation to the total world economy. Therefore, it is very vital to ensure the pro-trade orientation in the Polish economy that which is esential in the current payments situation of the country.

Economic Cooperation

Warsaw RYNKI ZAGRANICZNE in Polish No 86, 16 Sep 82 p 4

[Article by Barbara Buczynska]

> [Text] In recent years, the OPEC countries have come to join Brazil as our major Third World trading partners. In 1980, the OPEC member nations accounted for half of all trade with 17 major partners among developing countries. The share of all OPEC countries in our trade with the Third World averaged 35 percent from 1970 to 1980.

During the last decade, the position of OPEC members has strengthened in Poland's trade with developing countries. In 1980, OPEC's share in export to undeveloped countries was nearly 36 percent (30 percent in 1973); its share in import was 41 percent (20 percent in 1973).*

Transportation machinery and equipment and other manufactured goods make up a major part of Poland's export to undeveloped countries. The Third World buys more than 10 percent of our total export volume for these articles. From 1975 to 1980, the share of products of the electromachine industry in our export to these states ranged from 42 to 50 percent. OPEC countries purchase more goods in this category than all of our other major Third World trading partners.

The structure of Third World imports is very different from our export structure to this market. Fuels, raw materials and agricultural-food products occupy the most important place in our exports, with fuel having reached 42 percent of our total import volume from these states in 1980. During the 1960's and the first part of the 1970's, our small volume of imports from oil-producing countries was dominated by agricultural-food products and mineral products. From 1978 to 1980, our major import from this area was crude oil. During those years we imported an average of 3 million tons of crude per year. (In 1981, we imported less than 0.5 million tons of crude). Three countries supplied us with crude: Iraq, Libya and Iran.

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*Poland's export to and import from developing countries in 1980 were worth respectively 5 billion foreign-exchange zlotys and 5.5 billion foreign-exchange zlotys, while its OPEC exports and imports were worth respectively 1.8 billion and 2.2 billion foreign-exchange zlotys.

Our imports of crude from oil-producing countries from 1978 to 1980 swallowed up the entire favorable trade balance previously attained by Poland in trade with OPEC countries. Poland's abandonment of oil purchasing in 1981 gave her a favorable trade balance with OPEC countries of 1.4 million foreign exchange zlotys.

Great Importance of Machinery and Equipment Exportation

Poland's major partners among OPEC countries are Libya, Iraq, Iran, Algeria and Nigeria. The distinctive feature of Poland's contacts, especially with the first three countries, is that it provides a broad range of building-installation services that help to maintain a constant high rate of increase in the exportation of various types of machinery and equipment. These services, which are also provided for Kuwait and the United Arab Emirates, include the building of the economic infrastructure, factories and industrial plants.

By providing construction services, supplying equipment for industrial plants and building roads and municipal equipment, Poland participates actively in implementing development plans, especially in Libya, Iraq and Iran. In Libya, Polish foreign trade enterprises help to develop electrical power plants, animal and crop-producing farms, roads and cement plants and assist in the set-up of electrical installations. Polish specialists are taking part in mapmaking and surveying. We are exporting fuel bunkers, cables, conduits means of transport, sugar and textiles to this market.

In our export to Iraq, construction installations play a less significant role than in our export to Libya, which in 1980 represented nearly 80 percent of our total export volume. Our major exports to Iraq are products of the electromachine industry, rolled products, chemicals and household products. As in Libya, Polish specialists are providing mapmaking and surveying services.

Our cooperation with Iran, disrupted by political events, continues in spite of serious difficulties. A large sugar refinery has been constructed in Mogham and work has been completed on the installation of fuel bunkers; gas piping is being laid and Polish phz [foreign trade houses] are cooperating with other foreign contractors to develop petrochemical equipment.

While Poland's exports to Algeria include both construction-installation services, construction machinery and telecommunications facilities and equipment, bulk goods, sugar and lumber are our major exports to this country. Moreover, Poland will join with foreign firms to construct a soda and sulfuric acid plant.

The construction of cement dumpers has been completed in Kuwait. As in the UAE [United Arab Emirates], chicken farms and poultry slaughter houses are being introduced there. The structure of export to these two countries does not differ significantly from the structure of Poland's export to other Near Eastern states.

Although Poland established closer trade-economic contact with Nigeria only in 1977, this country has become an important, outstanding partner very rapidly. From 1977 to 1979 we supplied Nigeria with mining machinery and equipment and chemical products. Later we began to cooperate in the fields of shipping and the agricultural-food industry, and in particular in the sugar, power production and hard coal extraction industries. We have created various types of production and trade companies in Nigeria aimed toward the establishment of coproduction contacts.

In supplying goods to Saudi Arabia, Poland relies on the brokerage of the other Arab states and restricts its trade to the simple sale of goods. Most of our exports to Saudi Arabia are products of the light and food industries.

The markets of the Latin American OPEC countries, Venezuela and Ecuador, distant and difficult, are not an important direction of Polish expansion now and will not be so in the near future. While there is a joint company in operation in Venezuela whose existence undoubtedly facilitates our placement of goods on this market, limitations in supply complicate fundamentally our attaining constant growth in export. Our turnovers with Ecuador are of minimal significance, even though our experiences in the past have shown that there is the potential for the placement of Polish ships and private automobiles on this market.

In our export to Indonesia in the last 5 years we have noted a slow growth of export, primarily of products of the metals and chemical industries. Indonesia is a partner in a joint production-trading company, which will produce dyes using Polish equipment. The potential exists for the expansion of our electromachinery exports. Thus, we may assume that while Indonesia is now of secondary trade importance by comparision with the Near Eastern OPEC countries, in the future it will become an important consignee for our goods.

Poland's major purchase from OPEC countries in recent years has been crude oil. We have bought crude oil from five countries: Iraq, Iran, Libya, Nigeria and Algeria. The fact that the suppliers of the small amounts of crude that Poland has bought recently are widely scattered shows how difficult it is to enter the market of the direct crude supplier who normally has permanent consignees. Our greatest opportunities for securing deliveries of crude on a permanent basis exist in three countries: Iraq, Iran and Libya, and to a lesser extent Nigeria and Algeria.

Prospects

We can gain more access to purchases of crude on the markets of oil-producing countries only by maintaining and expanding our export orders.

Closer economic relations with oil-producing countries will enable us to implement surpluses in turnovers if we are forced either to stop purchasing crude from OPEC member-nations or to restrict these purchases.

Realistic opportunities exist for our expanding cooperation in the spheres of maritime management and agriculture. The policy of agricultural development being implemented in oil-producing countries requires that a broad range of agricultural investments be made in which Poland has every opportunity to take part more extensively than in the past.

The export of services is tied in closely with the export of capital goods; at the same time, construction services are not exhausting the potential that exists in this area. The cadre shortage that severely affects oil-producing countries forces them to use a foreign labor force with the necessary qualifications. Polish specialists are providing geological and mapmaking services; they are taking part in making developmental plans for cities and hamlets, as well as in developmental planning for education, mining and the processing industry. It is in our interest to make maximum use of offering a broad range of services.

If we are to maintain a high growth rate of export on the markets of OPEC countries, the quality of our deliveries of machinery and equipment must be high. At the same time, the Polish contractor will soon have to add to his share in the implementation of large-scale investment ventures in oil-producing countries his participation in the expansion of small-scale local industries if he wants to take advantage of the possibilities that arise for increasing export. Such small-scale industries are, in Algeria, for example, the subject of special governmental concern. Without a doubt, this is an opportunity for placing less complex equipment that the local labor force is qualified to operate on the markets of oil-producing countries. Poland's help in eliminating a labor surplus of minimally-qualified workers by building small-scale industries and expanding agro-industrial regions may guarantee its permanent place on the markets of oil-producing countries.

In the near future, the OPEC countries, especially those of the Near East and Africa, will probably be Poland's most important trading partners in trade-economic cooperation with developing states. This conclusion is based on Poland's achievements in this area thus far as well as on an analysis of the developmental trends and directions of our major OPEC trading partners. Our export orders are fairly secure from the legal-treaty viewpoint and generally are able to meet the domestic needs of these countries. Moreover, our restricted potential for extending credit deliveries has not been a serious obstacle to increasing export. However, at present the greater seriouness of various problems may complicate our trade with OPEC countries, for example, our lack of bulk goods and the possible payment problems of our partners.

Both the volume of our imports and our import structure, however, may be the most crucial obstacle to the expansion of our cooperation with OPEC countries. The industrialization of oil-producing countries. a process in which Poland is taking an active part, will bring about a fundamental change in their export and production structures within a very short time. This will mean that Poland will be forced to adapt its imports to the wishes and needs of these partners. Moreover, the increasingly stiff competition among exporters on the markets of OPEC countries will make it necessary for us to make payment conditions more flexible and to improve methods of promotion. Formerly, crude oil was a crucial problem for our cooperation with OPEC countries that was looked upon differently by both sides. Poland wanted to link its export of equipment directly to its imports of crude, but as a rule the exporting countries rejected this plan. Only in a few cases did both interested parties agree to an "item for item" exchange of crude and goods.

It is evident that the short period of the mutual ongoing adjustment of export in trade with OPEC countries (machinery and equipment from Poland and crude from the oil-producing country) is behind us. Poland will try to restrict its crude purchases to a minimum, even when fuel prices will be much more favorable than in the past. On the other hand, the relative decline in income from crude as a result of the halt in the growth rate of its prices, limits the possibilities of OPEC member-countries for financing imports. Hence, the divergence in the interests of Poland and potential suppliers will become greater and greater, and it will take a great deal of effort to maintain a high growth rate in export.

Above all, it will be indispensable for us to increase our import of goods produced in oil countries within the framework of their implementation of a pro-export strategy in the areas of crude processing, the processing of nonferrous metals and the construction of their own machine and light industries. Hence the importance of our following the progress of industrialization in oil-producing countries, at present our major partners, for the establishment of a long-term strategy of Poland's cooperation with oil-producing countries who are OPEC members.

The question of crude oil deliveries to Poland from the second payments area must be examined on a worldwide scale, i.e., the funds indispensable for such imports ought to be acquired through an increase in export in general, and not merely through export to the markets of oil-producing countries. At the same time, an active pro-export policy ought to be closely tied in with an entire program for overcoming our economic crisis. Without a doubt, oil-producing countries occupy a special position in our trade with the Third World; nonetheless, the need for export broadly will force Poland to look for equally important contractors among developing countries.

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